Commonwealth of Massachusetts

8th Annual Chief Fiscal Officer Conference

Tuesday, November 18, 2008

Federal Reserve Bank

Boston

Agenda

- **Conference / Logistics**   Mary Maloney

- **FY2009-2010 Update**   Leslie Kirwan, Secretary ANF
                                                    Matthew Gorzkowicz, ANF

                                                    Anne Margulies, CIO

- **General Session**   Martin Benison

- **Break**   N.E. Economic Adventure Gallery

- **Shared Services**   Penny Weller, Hackett Group

Lunch (12:30-1:30)   New England Room and
                                        Boston Room (4th Floor)

Goals of the Conference

- To disseminate information and communicate initiatives to the key stakeholders in Commonwealth financial management

- Share CFO best practices / network
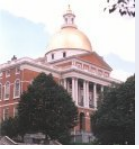
- To receive feedback
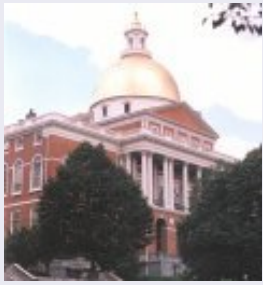
Office of the Comptroller
Chief Fiscal Officer Conference
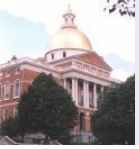
Tuesday, November 18, 2008

AGENDA

I.   Opening Remarks
Leslie A. Kirwan, Secretary for Administration and Finance

II.   Fiscal Outlook
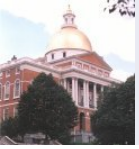Matthew Gorzkowicz, Assistant Secretary for Budget

Fiscal Year 2008 Close-Out

- Tax Revenues: $20.881 Billion
- Stabilization Draw: $315 Million
- Projected Final Spending: $27.232 Billion

- Supplementals Enacted: $414 Million
- PACs into FY2009: $130.9 Million
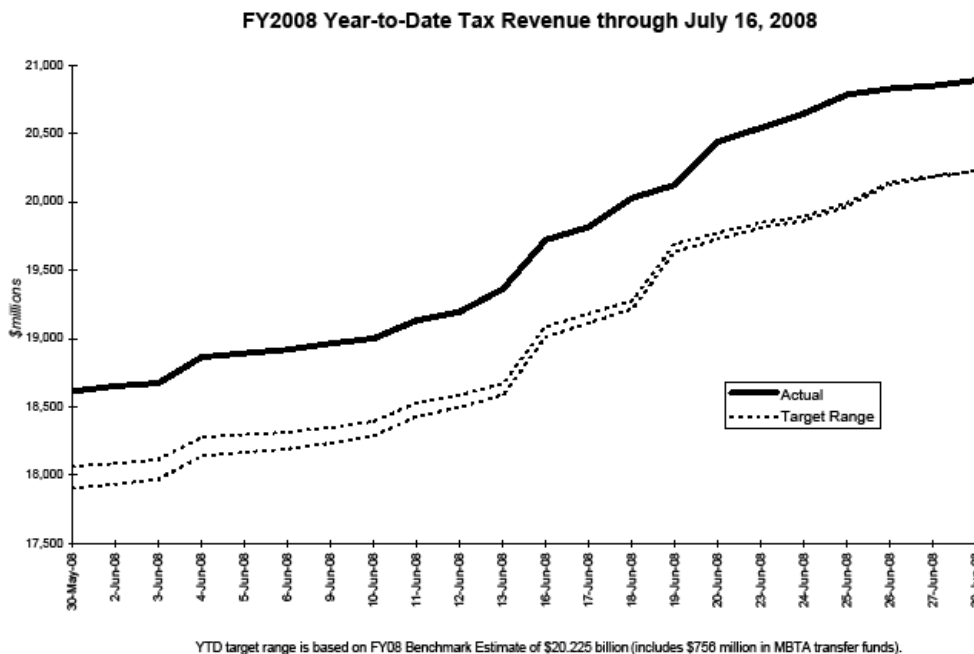- Life Sciences Trust Fund: $25 Million

Strong FY08 tax collections provided for the following:

- FY08 Deposit to Stabilization Fund: $100 Million
- Lottery Fund Transfers FY07 & FY08: $117 & $119 Million

Chapter 368 of the Acts of 2008 allows for the timing discrepancies between the receipt of federal reimbursements to accommodate the above mentioned transfers.

Total Tax Revenue Collections
for Fiscal Year Ending 2008

FY2008 Year-to-Date Tax Revenue through July 16, 2008

YTD target range is based on FY08 Benchmark Estimate of $20.225 billion (includes $756 million in MBTA transfer funds).

Many of the proposals in the Final Deficiency were possible because of the strong stock market performance in calendar year 2007 which resulted in higher than anticipated capital gains collections for Fiscal Year 2008.
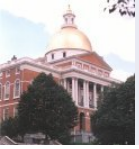
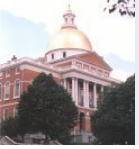# Total Stabilization Fund for Fiscal Year Ending 2008

Fiscal Year 2009 will be the second consecutive year Stabilization Funds will be used to balance the operating budget.
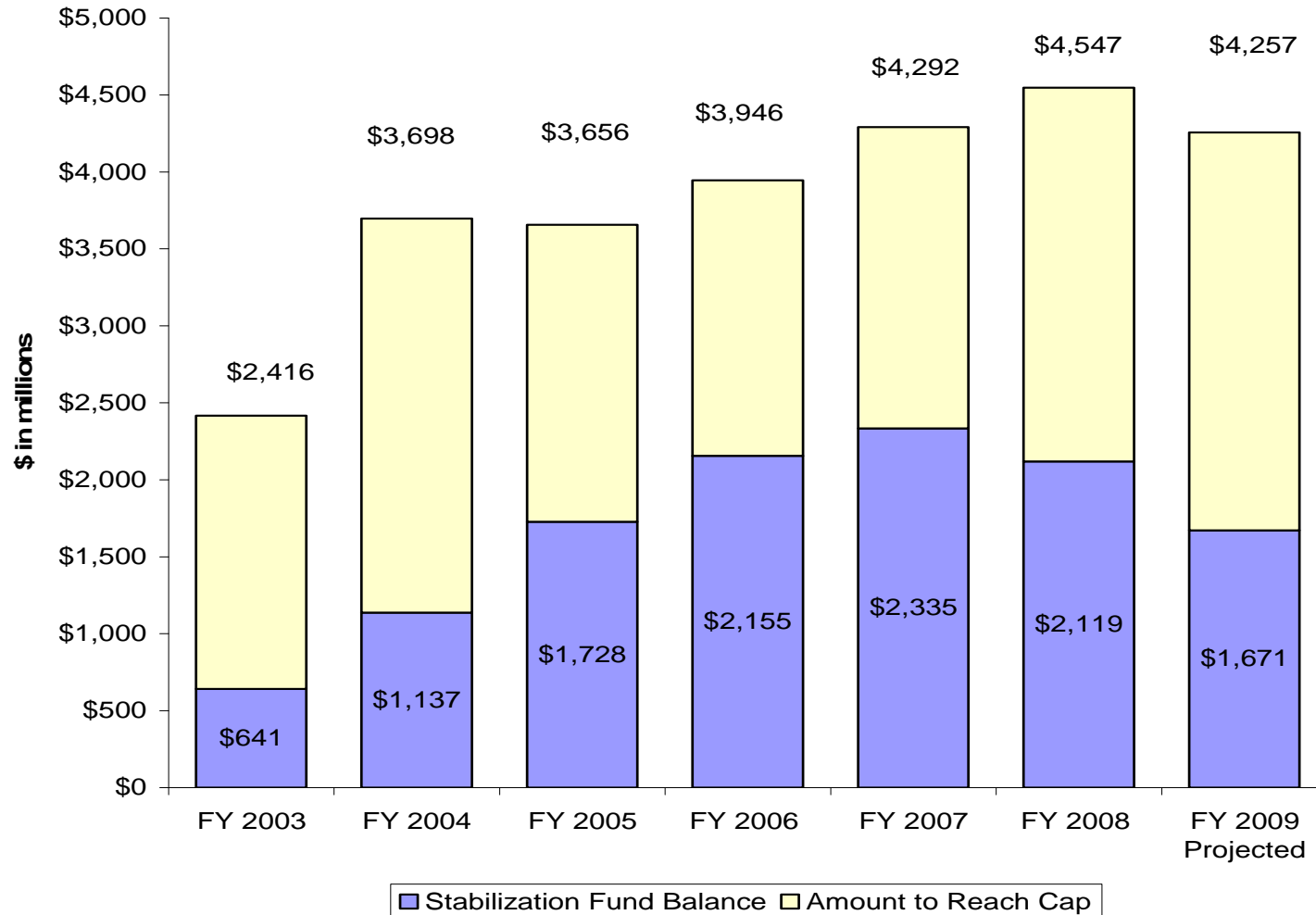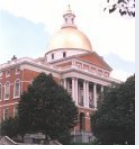
Fiscal Year 2009

- ➢ Consensus revenue estimate

- ➢ Status of the fiscal recovery plan

- ➢ Approval of spending plans

- ➢ FY09 next steps

- ➢ Exposures remaining in FY09

Fiscal Year 2009 Consensus Revenue Estimate

➢ This past October the Secretary for Administration and Finance revised the fiscal year 2009 revenue estimate downward by $1.1 billion, from $21.402 billion to $20.302 billion.

➢ The revised estimate was based on an analysis of fiscal year 2009 year to date revenue trends and taking into account revised economic forecasts and recommendations of the Department of Revenue and outside economists from the Governor's Council of Economic Advisors.

➢ Due to the decline in the equity and real estate markets, Massachusetts capital gains taxes are projected to decline by close to 30% in fiscal year 2009.

➢ Massachusetts forecasts also project higher unemployment over the remainder of fiscal year 2009 consistent with forecasts at the national level.

Fiscal Year 2009 Consensus Revenue Estimate

Legend: Consenus Revenue Estimate ■ Amount Over Consensus Revenue Estimate

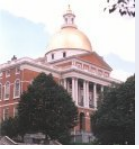| Fiscal Year	Consensus Revenue Estimate	Amount Over Consensus Revenue Estimate
FY2004	14,678	1,275
FY2005	15,801	1,287
FY2006	17,336	1,151
FY2007	18,975	761
FY2008	19,879	1,002
FY2009 Original*	21,402	
FY2009 October Revision	20,302	

1.1 billion downward revision
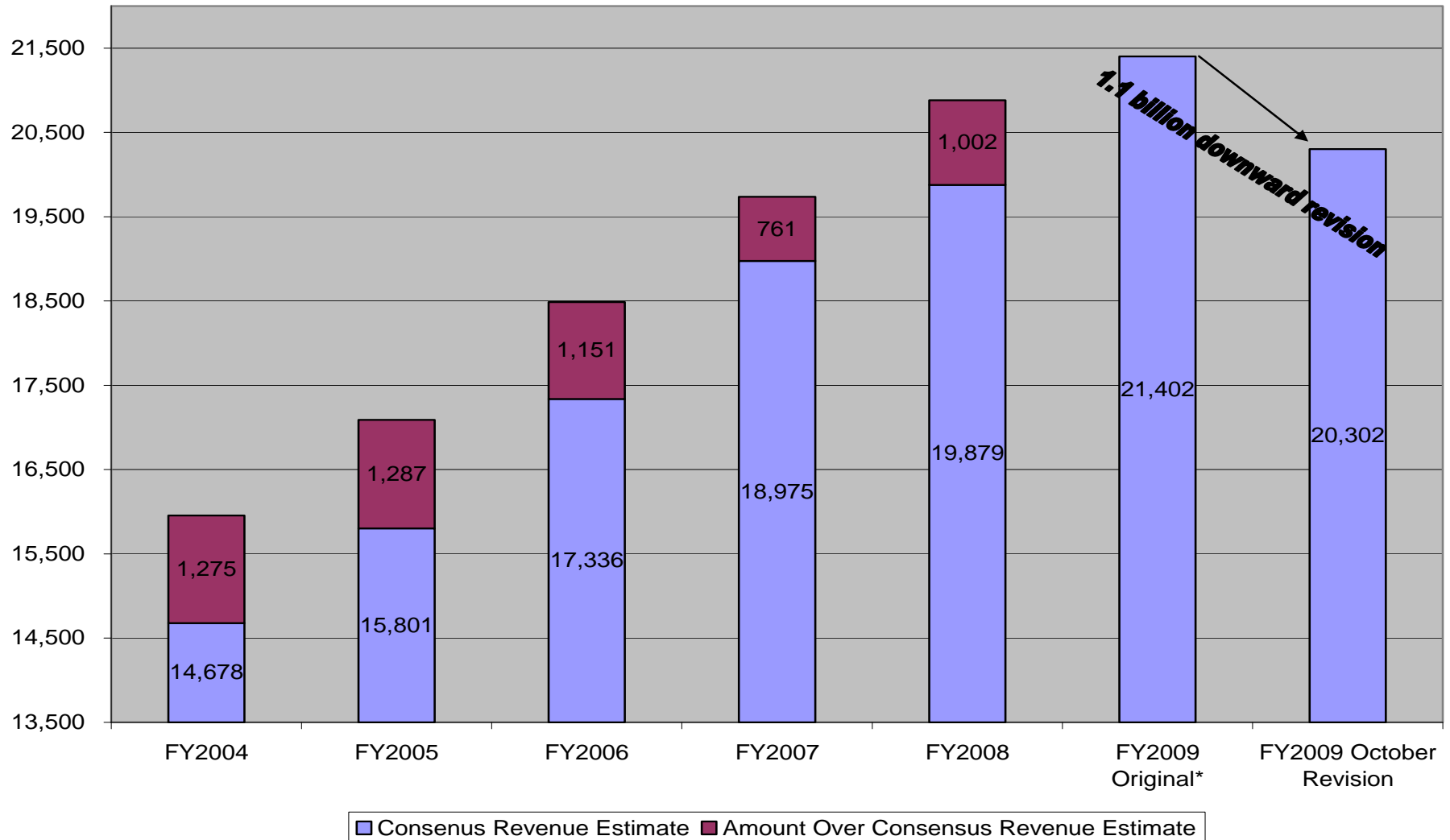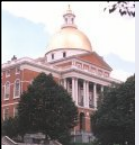
Fiscal Year 2009 Status of the Fiscal Recovery Plan
Estimated Budget Deficit: $1.4 Billion

The Patrick Plan as Filed

➢ Spending Cuts and Controls: $1.053 Billion

- ❑ Governor's Budget Cuts: $755 million
- ❑ Governor's Spending Controls: $146 million
- ❑ Voluntary Cuts: $52 million
- ❑ Pension Savings: $100 million

➢ Additional Revenue: $168 Million

- ❑ New Federal Funds: $55 million
- ❑ DOR Tax Settlements: $100 million
- ❑ Telecom Loophole Repeal: $13 million

➢ Rainy Day Fund Withdrawal: $200 Million

Fiscal Year 2009 Spending Plan and Fiscal year 2010 Maintenance Approvals

FY09 Spending Plans and FY10 Maintenance estimates were released on November 14th and are available for your viewing.
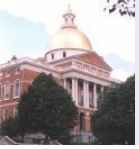
FTEs

➢ July 5th was used as a benchmark for FTEs; Each line item was reviewed and addition/deletion requests were carefully evaluated.

➢ Caps for FY09 are being considered at the department and funding source level; agencies should consider the affordability of an FTE in FY09 and FY10 as well as the overall FTE cap in making hiring decisions.

➢ For FY09, departments who are exceeding their overall caps in a particular funding source must develop a plan to achieve the approved levels by January 31, 2009.

Contractors

➢ HRD is looking to better manage the use of contractors during this fiscally challenging period.

➢ At HRD, a program is being run to flag contract positions in HR/CMS. When contractors are flagged, if an agency wishes to hire a contractor, they must certify to both HRD and ANF that the individual is being hired for a short-term project ending at a specific time.

➢ A contractor unflagging request form is being developed for ANF's Platform program which will be mutually be monitored by HRD and ANF analysts.

Sick and Overtime Usage Reports

➢ A report is posted on ANF's Platform program on hourly usage of sick and overtime at various levels to allow agencies to have data to better manage their overtime, hone in on programs or locations which are not performing at optimal levels, and identify areas where sick or overtime are being abused.
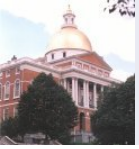
Fiscal Year 2009 - Next Steps

- ➢ Implementation Report Due to the Governor
    - Each Secretariat has submitted their implementation updates to ANF.
    - We are currently reviewing and summarizing your plans; We are working to provide the Governor with an update.

- ➢ Transfer Authorizations and Pending Deficiencies
    - ANF will be reviewing the surpluses identified through the spending plan review process.
    - Given the recent passage of language that allows for 5% line item transferability within a Secretariat, we will be looking at ways to best use that transferability.
    - Our first analysis will look at ways that surpluses can help to offset recognized deficiencies. We will work with you to evaluate this and come up with a plan that can be shared with the House and Senate over the upcoming weeks.

- ➢ Surpluses Remaining
    - After evaluating the use of surpluses to offset deficiencies we will need to consider remaining surpluses for additional 9C reductions.
    - Additionally, we will continue to monitor our revenue picture and other factors that may create exposures to our FY09 balance.

Fiscal Year 2009 Exposures Remain

➢ Consensus revenue estimate

- Forecast range is between $1 billion and $1.4 billion – a potential exposure of $300M

➢ 9C Implementation

- A number of items proposed by the Governor as a part of his fiscal action plan are still pending before the Legislature including his telecom tax loophole ($13 million) and GIC tiering ($28 million) proposals.
- Per implementation reports submitted, it is assumed that all 9C reductions will be fully implemented.

➢ Departmental Revenue

- Agencies can help mitigate additional spending reductions through prompt and thorough collection of departmental revenue. Any exposures in departmental revenue may require additional spending reductions in order to bring the budget to balance.

Fiscal Year 2010

➢ Update on the Maintenance estimates

➢ Spending targets and assumptions

➢ Fiscal Year 2010 – Next Steps

Fiscal Year 2010 Maintenance

Preliminary assessment of FY2010 budget submissions:

➢ Maintenance estimates resulted in an overall growth rate of approximately 6% over FY09 spending levels after 9C and produced a shortfall of approximately $2.6 - $2.9 billion.

Keep in mind:

➢ The FY10 spending caps are based on the assumption that there will be little to no new revenue growth to offset additional spending at this time.

➢ Final budget recommendations may differ based upon our continuing assessment of the Commonwealth's fiscal position, our analysis of spending plans, and ultimately the decisions made by the Governor.

Spending Growth: Historic Top drivers

➢ Medicaid
➢ Chapter 70 Education Funding
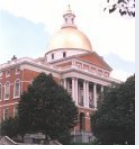➢ Group Insurance

*Additionally, growth in the following items continue to drive additional spending growth:*

- Debt Service
- Pension Obligation
- Stabilization Fund Deposit
- Collective Bargaining
- Healthcare Reform

- MBTA
- Group Insurance Commission
- Caseload Related Expenditures
- Rosie D. Settlement
- Lottery Shortfalls Continue

Revenue Growth: preliminary assessment of FY2010 revenues

- ➢ Consensus Tax Revenues, based on the latest forecasts, are only expected to increase by approximately $200M from $20.3B in FY09 to $20.5B in FY10.
  - A&F will be meeting with economists this week to develop the FY10 consensus revenue estimate
  - The goal is to have it the estimate finalized by the second week of December

- ➢ Federal Reimbursements will increase proportionately to increased spending in Medicaid – it is not expected to be a source of additional revenues in FY10.

- ➢ Departmental Revenues are not expected to yield a net increase absent of any proposals to raise new revenues. In some cases, departmental revenue is coming in below benchmark for some agencies.

- ➢ Operating Transfers will likely come in approximately $108 million less than FY09 – due primarily to one-time revenue collections in FY09.

All revenues combined are projected to yield <u>less</u> than $200M in new revenues to offset <u>all</u> spending growth in FY10.
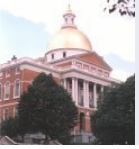
Fiscal Year 2010:
Assumptions Behind Spending Caps

➢ We have worked with agencies to build up FY10 maintenance through the spending plan forms; however, maintenance increases cannot be afforded given current revenue assumptions.

➢ Instead, the FY09 total available (FY09 GAA + A&F-recognized deficiencies – 9C Reductions) is the starting point for developing our revised spending caps.

➢ In setting the FY10 spending caps, it is assumed that most line items will be subject to spending reductions below FY09 total available. With some very limited exceptions however, some growth has been assumed in programs like MassHealth, GIC and debt service – even in these instances the growth has been constrained below historical levels.

➢ In developing solutions to live within the current spending caps, retained revenue accounts and assessed accounts should not be offered up for reductions. Typically reductions in these accounts result in a corresponding reduction in revenue and do not contribute to balancing the budget.

Fiscal Year 2010 - House 1 Recommendations

➢ The challenges presented by this fiscal condition, as reflected in the spending caps are not taken lightly. That is why it will be necessary to prioritize our spending and begin to think of new ways to advance the priorities of this Administration.

➢ Secretariats are asked to approach the FY10 budget with a "clean slate" and, using the current spending caps, develop solutions and "game changing proposals" that reflect the type of government that we want to have when we come out of this fiscal downturn, rather than the one we inherited.

Fiscal Year 2010 - Next Steps

➢ A&F will work closely with the Department of Revenue to monitor tax collections throughout the fiscal year.

➢ Additional reductions to come within cap are currently being solicited; A spreadsheet that is posted on platform should be downloaded by each department and additional reductions should be entered to meet the cap assigned by your Secretariat; Each Secretariat should review and submit to A&F by Monday November 24th.

➢ Hiring has been capped to allow for levels consistent with the July 5th snapshot; FTEs have be considered in conjunction with overall spending plans and 9C; A cap level has been set at the line item level and will be monitored on a department level to ensure caps are being met.

➢ A&F along with other oversight agencies will monitor spending closely.
  • Additional controls may be needed to institute spending controls throughout the fiscal year.

Calendar – Milestone Highlights

➢ A&F's public calendar can be found at: http://www.anf.state.ma.us/

➢ Specific tasks which involve agency input, and their due dates, are listed below.

➢ Memos detailing the specific exercises can be accessed from the "Other" section of our intranet site.

- November 15:   Report Due to Governor on 9C Implementation
- November 24:   FY10 Target submissions due to A&F
- November 28:   Budget Language Database Closes
- December 5:   Federal / Trust Accounts Due to A&F
- December: Budget Meetings with Governor (Dates scheduled with individual Secretariats)
- December 31:   Budget Recommendations Finalized at A&F
- January 16:   H.1 sent to the Printer
- January 28:   H.1 filed and available online

Information Technology Update for 2008 CFO Conference

Anne Margulies, CIO

November 18, 2008

Information Technology Division
Executive Office for Administration & Finance

Agenda

- **Other States' Priorities**

- **Snapshot of the Commonwealth's IT**

- **Commonwealth's IT Strategic Plan**

Other States' 2008 Priorities

- **Consolidation**

- **Shared Services**

- **Budget and Cost Control**

- **Security**

- **Electronic Records Management/Digital Preservation/E-discovery**

Source: National Association of State CIOs October, 2008

Snapshot of Commonwealth's IT

Used by virtually everyone, everyday . . .

- 70,000 network users from 330 locations/day

- 4M online transactions processed by RMV's system/day

- $78M processed by state's accounting system/day

And use is growing . . .

- 2M visitors / month to Mass.Gov – <u>26% increase</u> in throughput

- Server and storage capacity – <u>50% increase</u>

- 18M Email / month – <u>38% increase</u>, spam <u>75% increase</u>

- 17 data breaches this past year – >59M attacks – <u>300% increase</u>

Snapshot of Commonwealth's IT

Total Commonwealth IT Spending
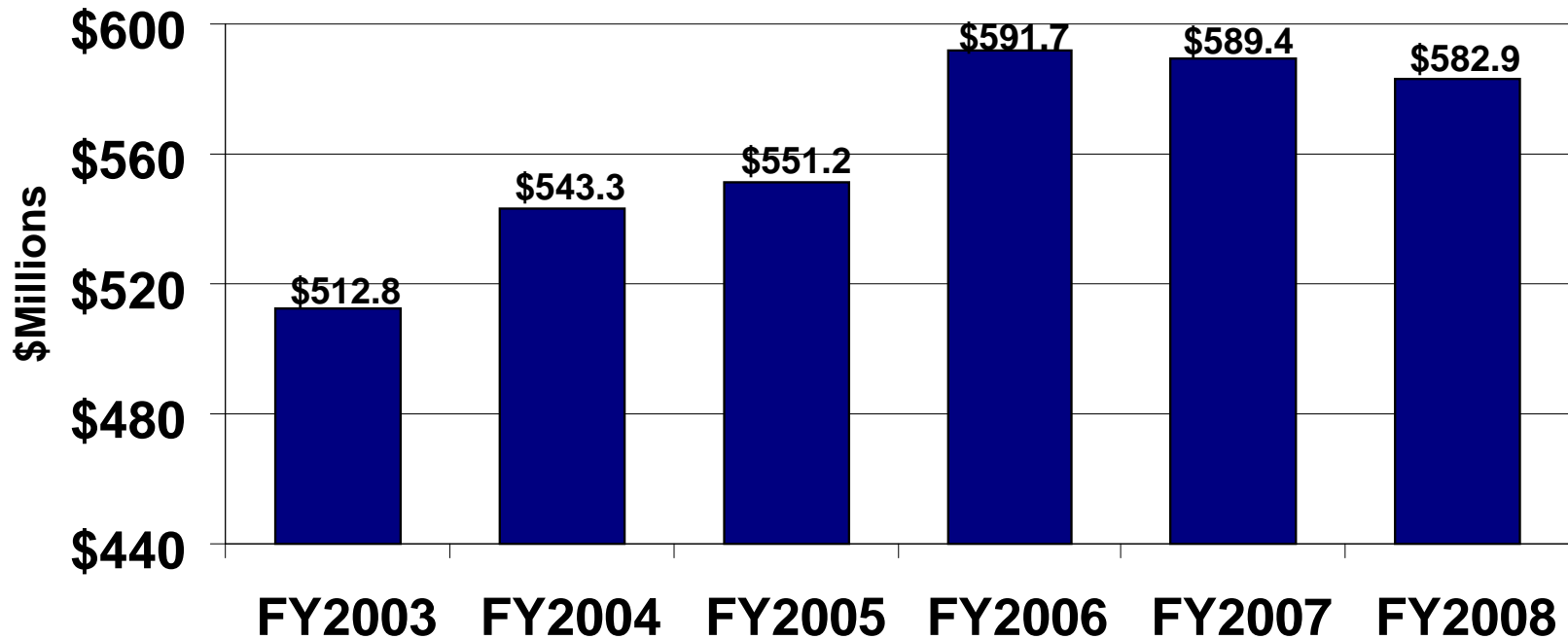
Snapshot of Commonwealth's IT

Total Commonwealth IT Expenditures as a Percentage of Total Expenses
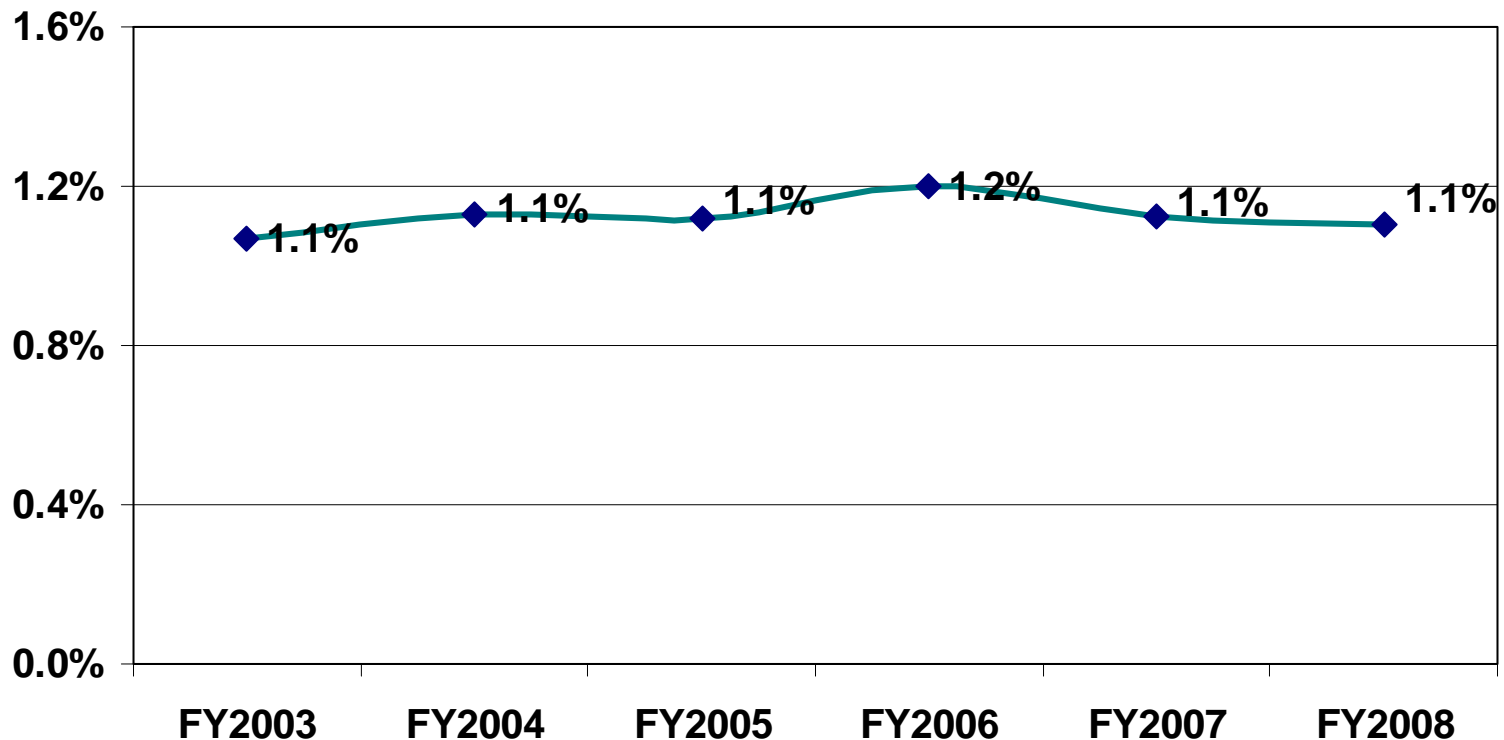
IT Strategic Plan

"Building a Foundation for the Future"

- ## *Current State*

- ## *Vision for the Future*

- ## *Roadmap 2009-2011*
  - *Seven key initiatives*
  - *Four supporting initiatives*
  - *High level implementation plan*

IT Strategic Plan
Current State

We have fallen back in the pack

- **Aging systems**

- **Uneven, fragmented IT planning, services and skills**

- **Constrained resources**

BUT, we have a great opportunity

- **Strong sense of collaboration and consensus among IT leaders**

- **Bond funding to invest wisely in collective action**

Vision for the Future

An IT environment that will enable:

- **Efficient and easily accessible services**

- **Open and transparent engagement**

- **Accurate and timely data**

- **<u>Efficient and easily accessible services</u>**

Imagine if . . .

- – You move to a new home and can change your address once and have all your records updated

- – Your business is able to complete one on-line form to populate the multiple reports that are required by the State

Vision

- **<u>Open and transparent engagement</u>**

  Imagine if . . .

  – You were able to find all the licensed day care or elder services in your area as well as all the motor vehicle inspection stations

  – Citizens could be empowered with easy ways to provide input on policies that are most relevant and important to them

- **<u>Accurate and timely data</u>**

  Imagine . . .

  - How much more effective public safety officers and social service workers could be if they had complete and up to date information about the citizens they are trying to help

  - How more consistent and complete data can lead to better service delivery and policy making

IT Strategic Plan
Seven Key Initiatives

ROBUST, AGILE ENTERPRISE IT INFRASTRUCTURE

1 Secretariat Consolidation

2 Shared SOA Infrastructure

3 Network Architecture

4 Enterprise Security Plan

SHARED SERVICES AND APPLICATIONS

5 Civic Engagement Strategy

6 Identity Management

COMMON, EFFECTIVE MANAGEMENT PRACTICES

7 Enhanced Procurement Process

TECHNOLOGY FOUNDATION FOR THE FUTURE

IT Strategic Plan
Four Supporting Initiatives

ROBUST, AGILE ENTERPRISE IT INFRASTRUCTURE	SHARED SERVICES AND APPLICATIONS	COMMON, EFFECTIVE MANAGEMENT PRACTICES
1 Second Data Center	2 Systems Modernization	3 IT Recruitment and Training
		4 Project Management Methodology

TECHNOLOGY FOUNDATION FOR THE FUTURE

Conclusion

- **Technology has potential to make government more efficient, accessible and open**

- **We know how to do it – have a vision and a plan**

- **Now is the time – have consensus, bond money to invest**

- **Won't be easy – requires collective will and collaboration**

- **Read the plan – on Mass.Gov. Let me know what you think.**

Martin J Benison
Comptroller

FY 2008 Initiatives

- Paperless When Feasible
- Maximization of Discounts
- 3.7 MMARS upgrade
- E-Receipts
- Streamlined Customer Support

Paperless When Feasible

- PayInfo
  - Payroll 95% EFT
  - Upgraded application to provide access to more pay periods and informational W-2
  - 17,653 pay advices suppressed-23%
- Financial Transactions – 7,000 financial transactions eliminated paper by using comments

Maximization of Discounts

- 18% increase in vendor contracts that offered discounts
- 32% increase in dollars saved – money returned to the appropriation
- $3.4 million saved in FY08
- More Information on the web

Maximization of Discounts

Cumulative Discounts Taken Comparison FY 2007; FY 2008 and FY2009

(In $ Thousands)
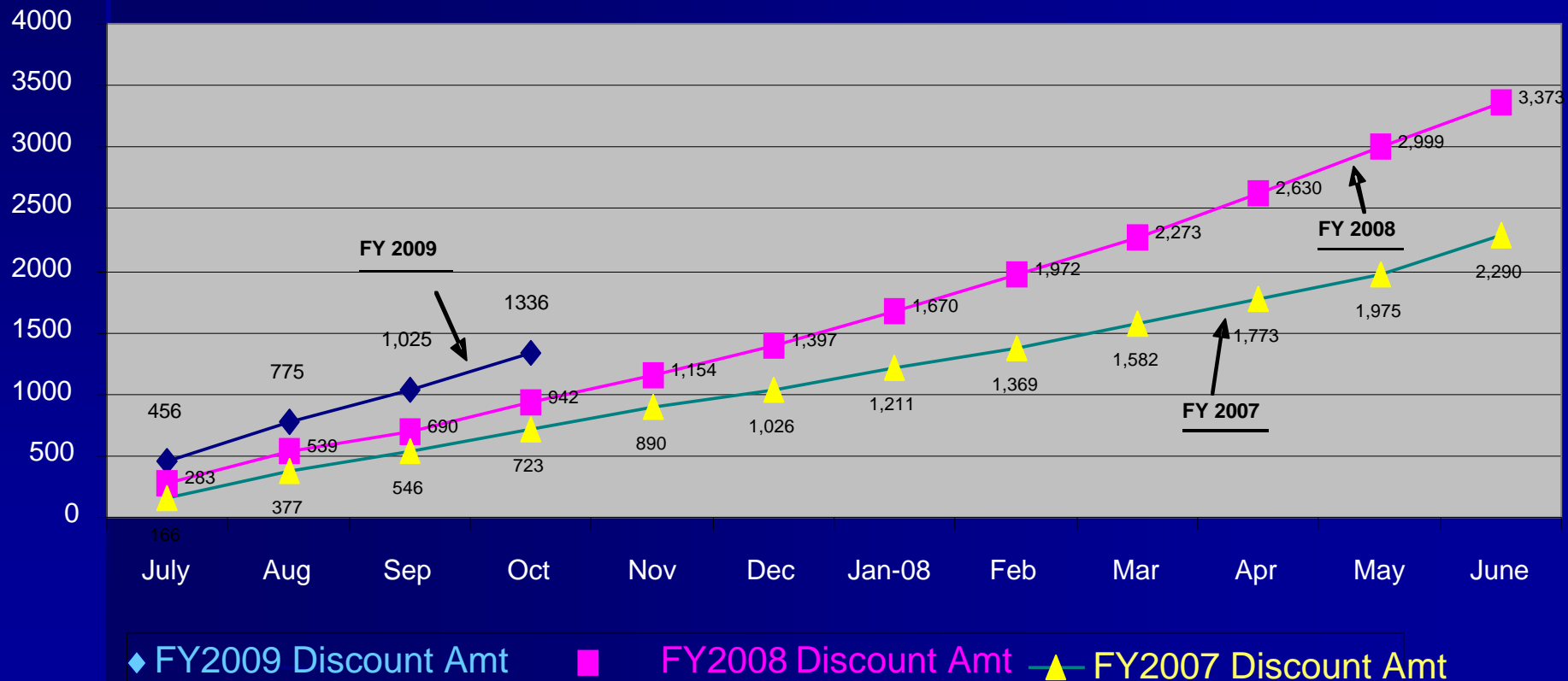
First Quarter Discount Activity Since FY06
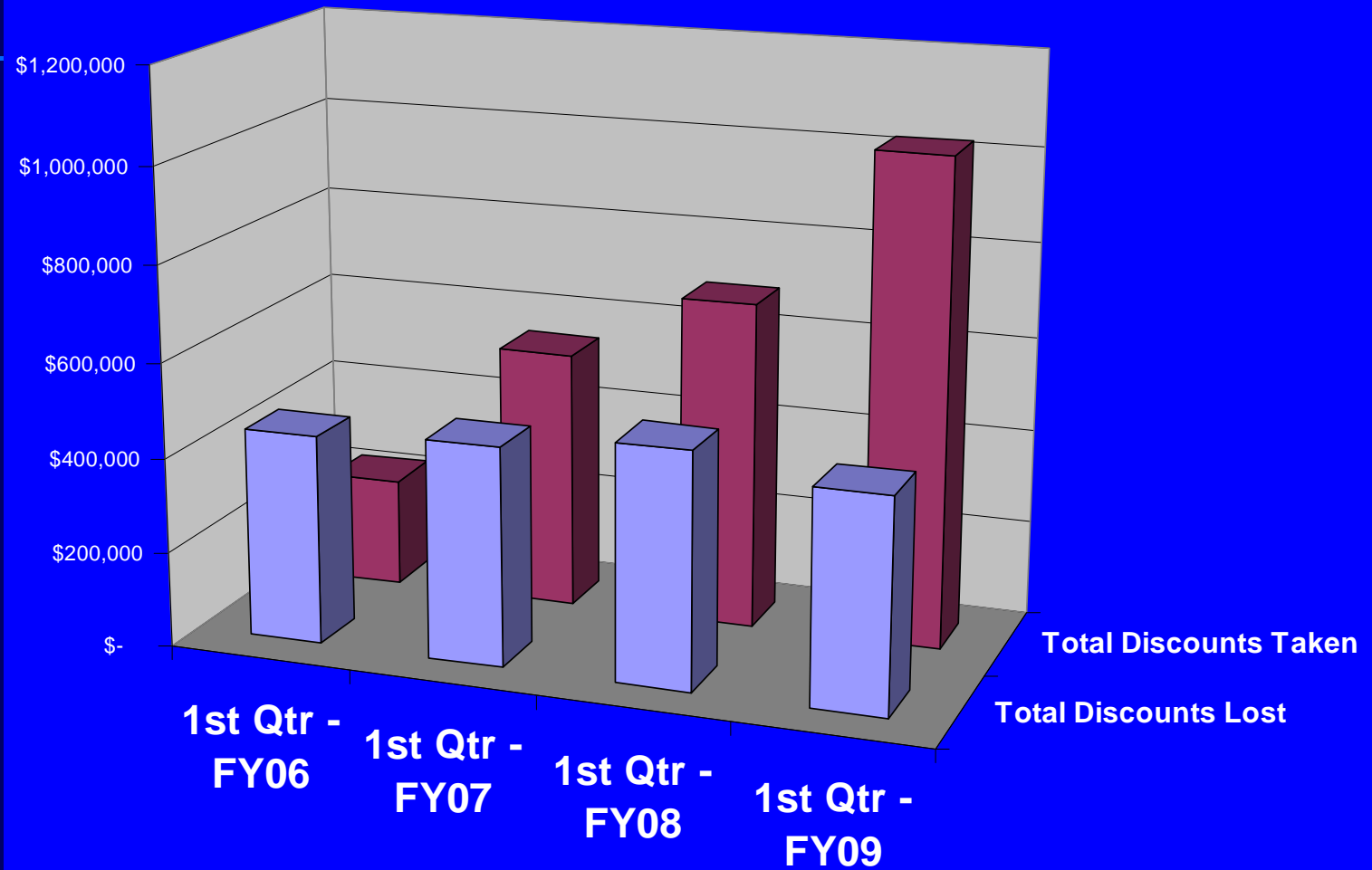
E-Receipts

- PCI assessments completed for Users of the Master agreements
- April 09 deadline set of all other Departments
- Continue to Focus on removing barriers to credit card payments
- Renew processing and Merchant Bank Contract in 09

Streamlined Customer Support

- Updated training offerings in A/R, internal controls, federal grant mgmt
- Instituted routine outreach to fiscal staff outside Boston
- Re-vamped e-Learning as part of the 3.7 upgrade
- Made webcasts more efficient for departments as well as CTR
- Scott Olsen –New Customer Service Mgr.

FY2009 Initiatives

- Upgrade of MMARS
- Shared Services
- Upgrade of HR/CMS
- Procurement Cards
- Vendor Receivables Audit
- Reinvigorating Internal Controls
- Expanding web applications- PartnerNet

Upgrade of MMARS

- 3.7.0.1 involved upgrade of infrastructure *(hardware, operating systems, middleware)* as well as the application

- Strategy to separate upgrade from rollout of new functionality

- New features being evaluated to define those beneficial that do not impact performance

Encourage Efficiencies-Shared Services

- Efficiencies: Managing more with less

- What are you asking for?
  - Centralization
  - Consolidation
  - Shared Service Opportunities

Upgrade of HR/CMS

- PeopleSoft functionality more robust – MA cannot leverage since out of date
- Self-service features to reduce department administrative costs
- Improve recruitment and management of human resources

Procurement Cards

- Self Service Website

- Purchase detail to MMARS

- Alternative Approach to Discounts

Vendor Receivables Audit

- Recover Pending credits in Vendor Systems
- Contingent Fee Basis
- CEC is the record that the Commonwealth was pursuing the Credit

Reinvigorate Internal Controls

- Support departments in balancing changes due to budget reductions with need for appropriate controls

- Highlight the importance of internal controls in mitigating risks with changes in operational responsibilities

- Enhanced training on Risk Management

Expand Web Applications

- Release of PartnerNet
- Broaden use of Intercept application
- Improve GAAP, Statutory Receivable reporting
- Enhance ICQ data collection
- VendorWeb
- Payinfo for Retirees

PartnerNet

- Focused on data that is not appropriate for the CTR portal
- Efficient and secure access applications and share large data files
- Accessible within MAGNet or through VPN
- Uses will evolve over next few years

PartnerNet *(cont.)*

- UAID for log-in ID – PartnerNet added as option on UAID request to ITD
- Enterprise system users pre-loaded
- Security approach
  - Self-service to handle forgotten passwords using e-mail
  - DSO's can add new users
  - Single sign-on for CTR web applications

PartnerNet Log In Screen

Drop Box

Standard Guidelines

Contents of Dropbox : Standard Guidelines
(Click on underlined column headings to sort)

	File Name	Size	Uploaded On	Uploaded By	By Department
View	CTR_DSOPartnerNetInstructio	391.5K	11/6/2008 2:52:56 PM	CTR	CTR - Office Of The Comptroller (CTR)
View	CTR_PartnerNetOverview.doc	33K	10/23/2008 2:43:15 PM	CTR	CTR - Office Of The Comptroller (CTR)
View	CTR_SECJ01SecurityGuidetoS	1150K	10/23/2008 3:34:15 PM	CTR	CTR - Office Of The Comptroller (CTR)

Drop Box Content

Contents of Dropbox : Draft Transactions
(Click on underlined column headings to sort)

	File Name	**Size**	**Uploaded On**	**Uploaded By**	**By Department**
View	CTR_DraftCEC.xls	231K	11/10/2008 10:30:02 AM	CTR	CTR - Office Of The Comptroller (CTR)
View	CTR_DraftCTtrans.xls	1974.3K	11/10/2008 10:30:07 AM	CTR	CTR - Office Of The Comptroller (CTR)
View	CTR_DraftGAE.xls	202.1K	11/10/2008 10:30:12 AM	CTR	CTR - Office Of The Comptroller (CTR)
View	CTR_DRAFTGAEC.xls	21.5K	11/10/2008 10:30:17 AM	CTR	CTR - Office Of The Comptroller (CTR)
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View	CTR_DraftJVA.xls	23.6K	11/10/2008 10:30:34 AM	CTR	CTR - Office Of The Comptroller (CTR)
View	CTR_DraftPC.xls	653.9K	11/10/2008 10:30:39 AM	CTR	CTR - Office Of The Comptroller (CTR)

Vendor Web

Vendor Web Search Screen

Next Steps

- PartnerNet live through the Internal Applications Link on CTR Portal

- Application demonstrations available on 4th floor during lunch break

- December 2 and 4 webcasts (register through LMS, Learning Management System) for DSOs, others interested

Next Steps *(cont.)*

- CFO's given upload capability
- Payroll Directors given access to Payroll Dropbox for the department
- Review what staff need more than read only access to PartnerNet
- Suggestions on additional use: comptroller.info@state.ma.us

CTR Partnership with Departments

- CTR Senior Staff is available today at lunch and during breaks

- Bureau Directors will be available in the AV lounge

Questions?

Defining & Enabling World-Class Shared Services

Presented to:

Massachusetts – Comptroller's CFO Conference

Boston, Massachusetts

Penny Weller, PhD, CMA
Senior Director
The Hackett Group
November 18 2008

The Hackett Group
World-Class Defined and Enabled

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The Hackett Group
World-Class Defined and Enabled

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- The use of our intellectual capital enables our clients to implement change to affect their ability to attain and sustain world-class performance
  - We provide strategic advice and implementation assistance based on **4,000 benchmarks** with leading global companies
  - Our implementation tools allow our clients to achieve results from *proven* best practices of world-class companies
- Our recommendations address both **efficiency and effectiveness** of world-class performance
- Our efforts have delivered over **$90 billion** in *sustainable* **cost savings** and **$25 billion** of improved **cash flow** improvement through REL, our working capital group for clients across the globe
- Operating in the Americas, Europe and Asia, we have served clients in 66 countries
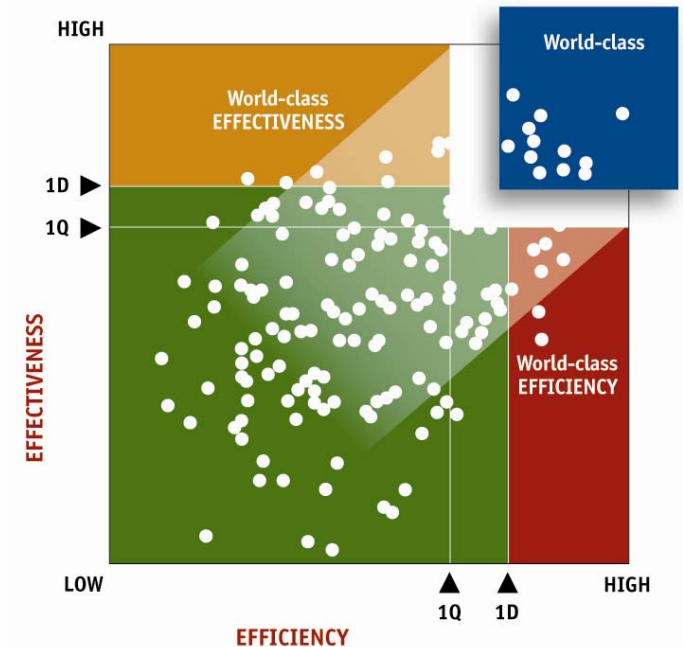
Our unique intellectual capital is unparalleled in driving successful performance improvement

The Hackett Group
World-Class Defined and Enabled

Hackett insights are based on work with 2,700 of the world's leading companies

97%
of the Dow Jones Industrials

73%
of the Fortune 100

88%
of the Dow Jones Global Titans

73%
of the DAX 30

45%
of the FTSE 100

The Hackett Group
World-Class Defined and Enabled

Hackett Value Grid™ − the foundation for how Hackett defines world-class performance

Hackett Value Grid™ (Finance Example)

EFFECTIVENESS

- Days sales outstanding
- Days payables outstanding
- Accounts payable rework rate
- Customer billing rework rate
- Accuracy of forecasts and analysis
- Functional role in strategic decision making
- Percent of time analytic focus in on proactive decision making
- Percent of time spent collecting and compiling data for analysis
- Percent of analysts with acumen to function as business partners
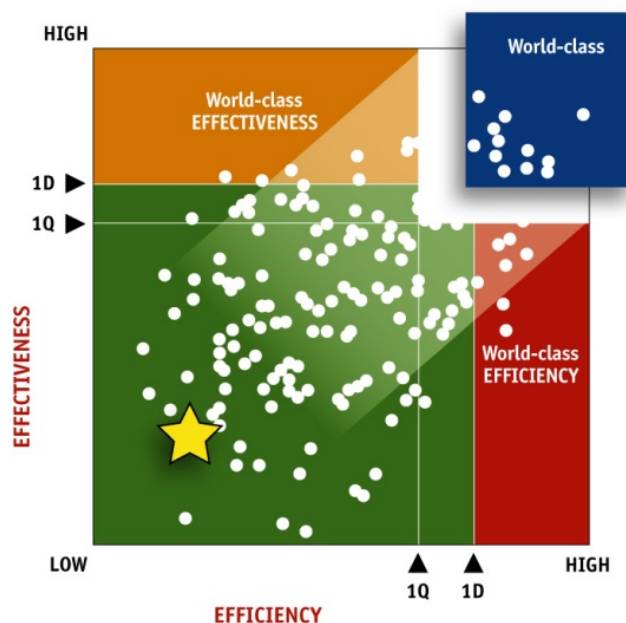
EFFICIENCY

- Overall function cost as a % of revenue
- Process cost as a % of revenue
- Technology cost per function FTE
- Staffing levels by process
- Cycle times and iterations
- Unit cost of transactions
- Utilization of self-service for inquiry
- Application complexity
- Automation of transactions
- Reliance on spreadsheets
- Percent of business reports distributed electronically

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Does being World Class matter?

$5.8 million
in savings per $1 billion of revenue

1.17%

50%

0.59%
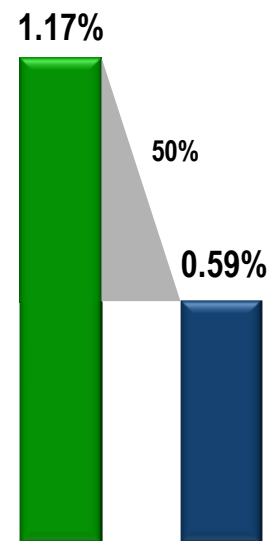
Median   World Class

Overall **finance** cost as a % of operating budget

$1.6 million
in savings per 10,000 employees

$2,010

8%

$1,848
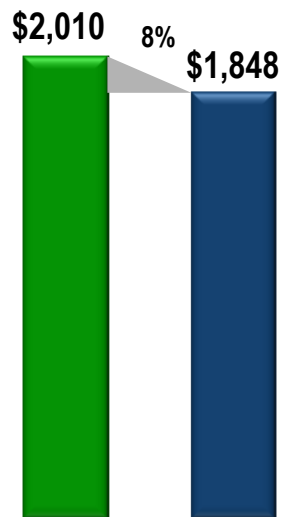
Median   World Class

Overall **HR** cost per employee

$1.8 million
in cost savings per $1 billion of spend

0.82%

22%

0.64%
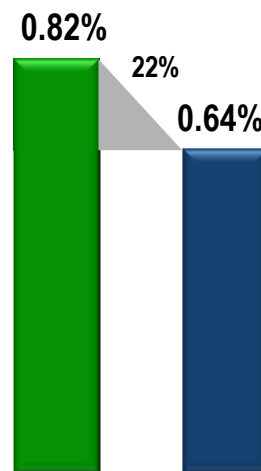
Median   World Class

Overall **procurement** cost as a % of spend

Cost per End User is leveling between world class and peers

$8,797 $8,775
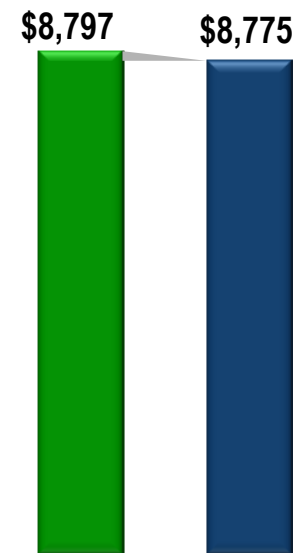
Median   World Class

Overall **IT** cost per end user

Source: Hackett 2008 Functional Performance Data - Select SG&A Functions

Finance Shared Services

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World-Class Defined and Enabled

Agenda

- *What is shared services and why are so many organizations implementing?*

- *What does world-class shared services look like?*

- *Shared service maturity and key trends*

- *Approach to developing shared services strategy*

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Section One

-

- *What does world-class shared services look like?*

- *Shared service maturity and key trends*

- *Approach to developing shared services strategy*

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World Class Finance extends progress on cost and drives greater differentiation through effectiveness

1.17%

50%

0.59%

Peer Group   World Class

Overall finance cost
as a percent of operating
budget
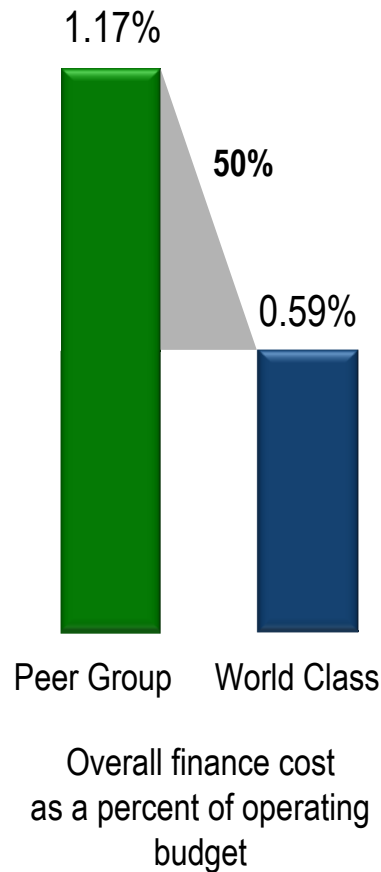
- World Class is significantly more cost effective in all process categories
  - 55% higher transaction automation
  - Nearly 2x advantage in automated workflow
  - Produce 40% fewer billing/payment errors
- But allocate more of their process cost to high value activities
  - Allocating 31.8% to planning/analysis vs. peer at 24.6%
  - While investing nearly 37% more in average fully loaded labor costs
- And they deliver better DSO, contributing to better working capital

2008 Finance Benchmark

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World-class Finance organizations continue to differentiate themselves from the peer group

Finance cost as a percent of operating budget

- ERP implementation
- **Beginnings of shared services**
- Shift from mainframe to client server

- **Refinement of shared services**
- Advent of web and self-service
- Data warehousing increasing
- Sarbanes-Oxley

- **Maturing shared services**
- Globalization
- Focus on planning and analysis

Year	1992	1994	1996	1998	2000	2002	2004	2006	2007	2008
Peer Group	1.90%			1.40%						
World-Class	1.50%			1.00%			0.74%			0.59%

Values labeled on chart: 1.90%, 1.50%, 1.40%, 1.00%, 1.08%, 0.74%, 1.17%, 0.59%

■ **Peer Group**   ■ **World-Class**

2008 Finance Benchmark

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One of the foundational tools used by finance organizations to drive performance is shared services – cost savings; median age of SSO 2.5 years

World Class

Pie chart legend:
- ■ >50% — 6%
- ■ 41 to 60% — 21%
- ■ 21 to 40% — 38%
- ■ 11 to 20% — 23%
- ■ 1 to 10% — 8%
- ■ No change — 4%
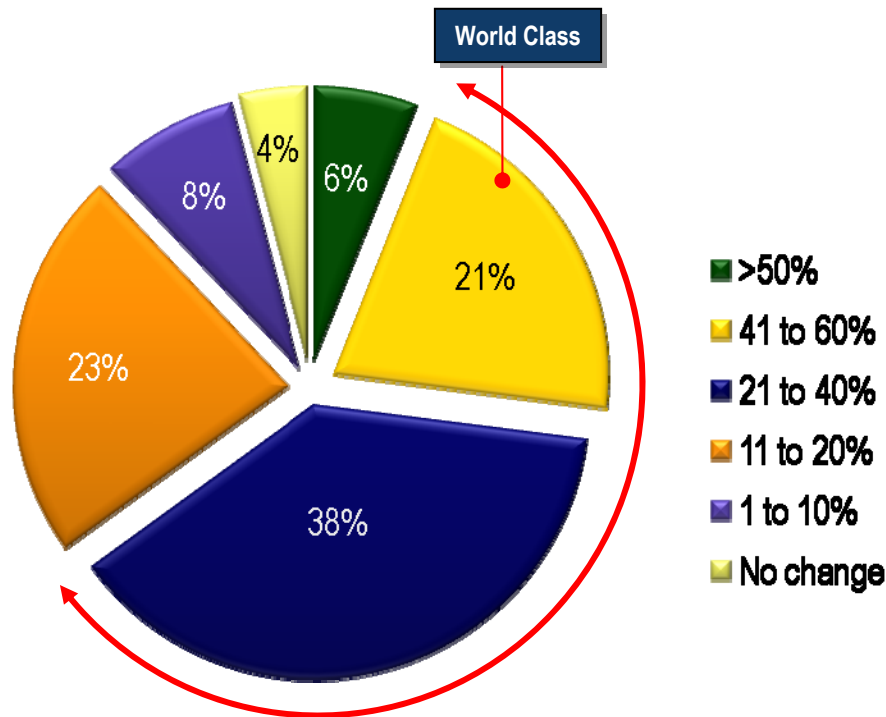
- 65% of firms realize savings of 20% or more

- Nearly 1/3 achieve savings of more than 41%

2007 Finance Shared Services Performance Study

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World-Class Defined and Enabled
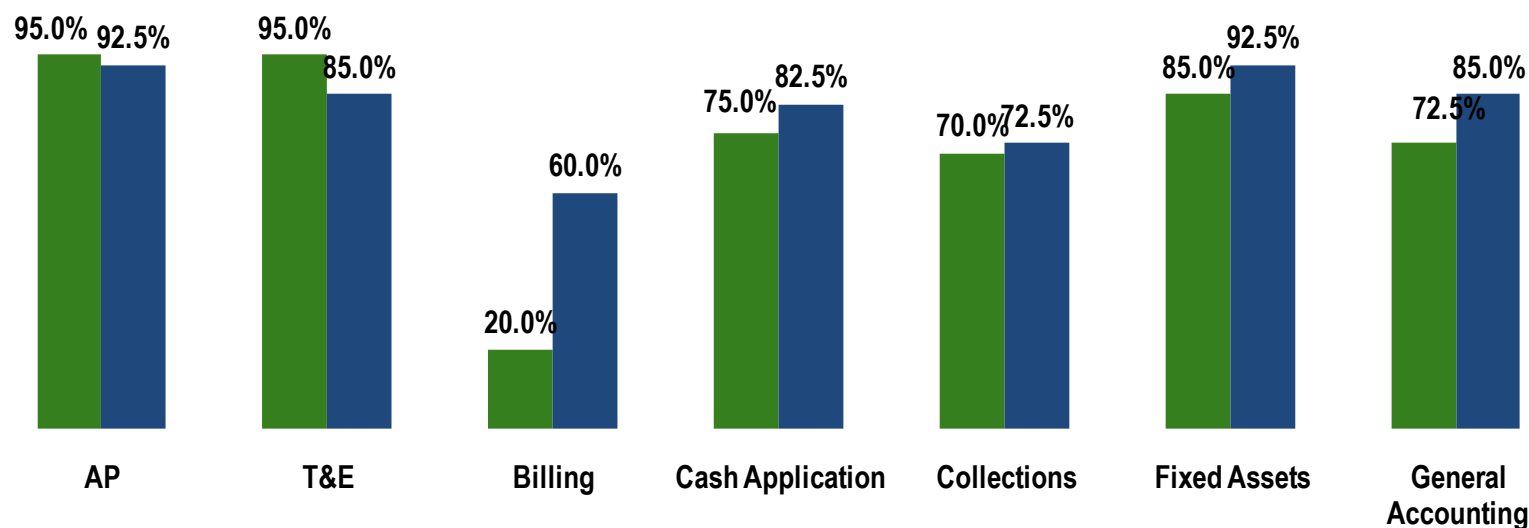
World-class organizations use shared services to a greater extent in many processes

Shared service utilization

Chart: Shared service utilization (Peer Group vs World-class)

Process	Peer Group	World-class
AP	95.0%	92.5%
T&E	95.0%	85.0%
Billing	20.0%	60.0%
Cash Application	75.0%	82.5%
Collections	70.0%	72.5%
Fixed Assets	85.0%	92.5%
General Accounting	72.5%	85.0%

■ Peer Group   ■ World-class

2007 Finance Shared Services Performance Study

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World-class organizations use shared services to a greater extent in many processes

Shared service utilization

Inventory Accounting: Peer Group 20.0%, World-class 30.0%
Order Entry: Peer Group 0.0%, World-class 70.0%
Payroll: Peer Group 30.0%, World-class 67.5%
Budgeting: Peer Group 0.0%, World-class 20.0%
Cost Accounting: Peer Group 3.0%, World-class 10.0%
Business Analysis: Peer Group 0.0%, World-class 25.0%
Cost Analysis: Peer Group 0.0%, World-class 20.0%

■ Peer Group ■ World-class

2007 Finance Shared Services Performance Study

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World-Class Defined and Enabled
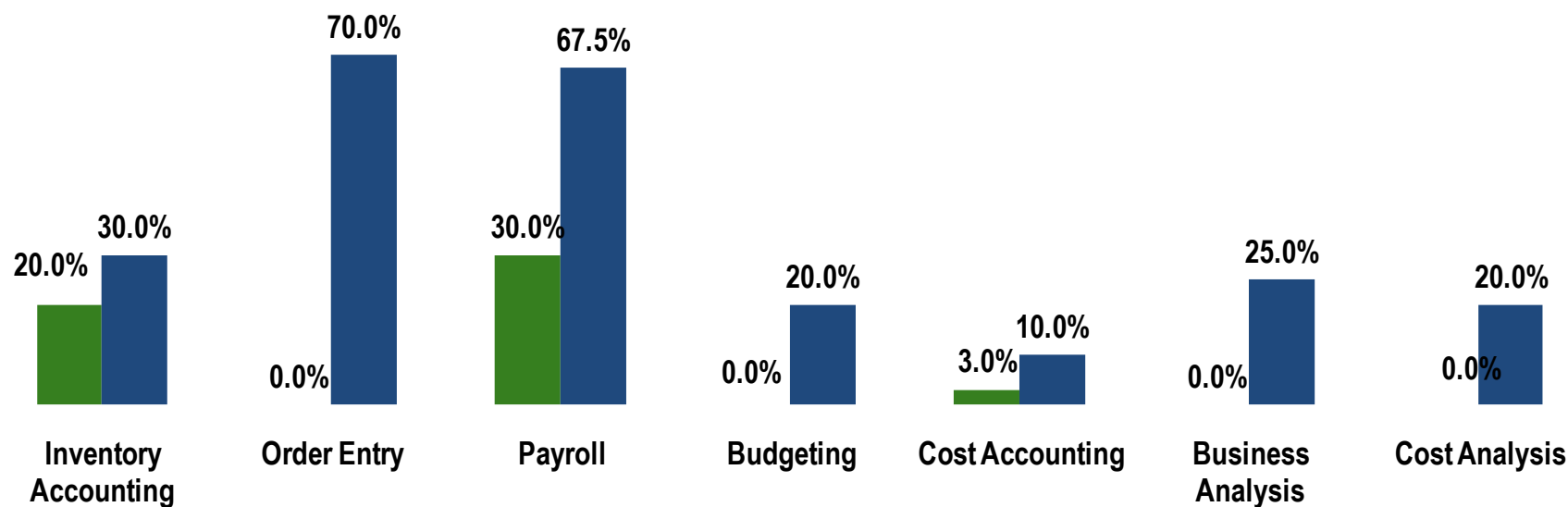
What is Shared Services? (Definition)

Shared Services is an <u>approach (operating model)</u> used by organizations around the globe to organize and deliver internal support services more <u>efficiently</u> and <u>effectively</u>.

It generally involves removing work activities from business units, and <u>standardizing & consolidating</u> the way in which those services are delivered to provide value to the business units in the form of reduced overall G&A costs and increased service performance.

The actual operating model is so much more….

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Shared Services - so much more than "centralization"…

Business Unit – Corporate Centralized Processing	Shared Services
Staff	Supplier/Partner
Cost Center	Business
Controls	*Value*
Functional Specialist	Service Provider
Allegiance to Departments	Allegiance to Customers
Functional Organization	Pooled Resources
Bureaucracy	Economies of Scale
"My Job Performance"	Measures and Rewards
"Not My Job"	"How Can I Help?"
Entitlement	Accountability
Up the Ladder	Two-way Responsibility
One-way Feedback	Metric-Centric
	Passion for Process

'Corporate with a Heart' - 'Strong Business Partner' – 'Pride of Ownership and Delivery'

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Shared Services -

What Shared Services IS

- "Common" support processes and systems to provide better service to business operations

- Internal support organization focused on customer satisfaction and continuous improvement

- Re-designed business processes that emphasize value creation and measurement

- An organizational evolution through which some support processes may be identified as good candidates for outsourcing
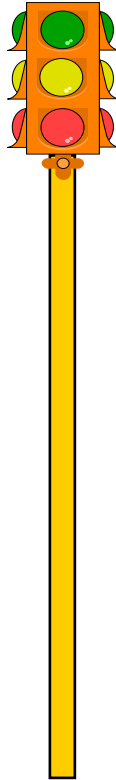
What Shared Services IS NOT

- A move to "centralize" internal support processes under one roof, operated under a corporate mandate

- Re-engineering existing support processes without considering the context of the larger business processes that they support

- Simple cost reduction measures achieved through process consolidation and FTE elimination

- An internal push to have all non-core business processes performed by outside service providers

- A catch-up for miscellaneous activities

Shared Services is a customer-focused organization that provides quality support services primarily to internal customers and eliminates redundant processes, systems, and organizations…

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Determining what processes to include in shared services

- Identify activities that would fit within your shared services by thinking of activities at a process level
  - Have you already developed processes on an "end-to-end" basis?
  - Have you stretched the end-to-end process to appropriate levels?

- Benchmark processes to confirm efficiency and effectiveness

- Identify the opportunity gaps to World-class

- Share results with customers; obtain input on current roles
  - A review of job descriptions within opportunity areas and an activity based management approach will identify cost / FTE to support each activity if this hasn't already been provided through the process / functional benchmark

- Agree on possible changes and time frames

- Project management

- Be bold!

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Determining How to Organize and Perform Work
Assess the Basic Characteristics of the Processes, Activities and Tasks

	Management Decision Support Services	Cost Efficient Transaction Services
Enterprise Generic	*Corporate / COE* • Critical, High-value Added • Strategic, Confidential • Companywide Support (e.g., Legal) • Statutory And Regulatory • Companywide Focus • High Skills, Lower Volume • Unique Resources That Can Be Shared	*Shared Services* • High Volume • Efficiency Focused • Repetitive Activity • Easily Measured Performance • Consistent Customer Requirements • Transaction / Service Oriented Skill Set
Business Specific	*BU Analytical Services* • Entrepreneurial • Drives High Level Decisions • Content Focused • Competitive Advantage • Project / Issue Driven • Analytical Diagnostic Skill Set • Management Judgment	*BU Transaction Processing* • Business Unit Specific • Business Level Knowledge Required • Transactions Involving Only The BU • Statutory & Regulatory At Local Level • Proximity To BU Is Necessary

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World-Class Defined

Finance Shared Services – percent of process handled

Accounts Payable

- Less than 20% 1%
- 20 - 50% 3%
- 50 - 80% 19%
- 80 - 100% 77%
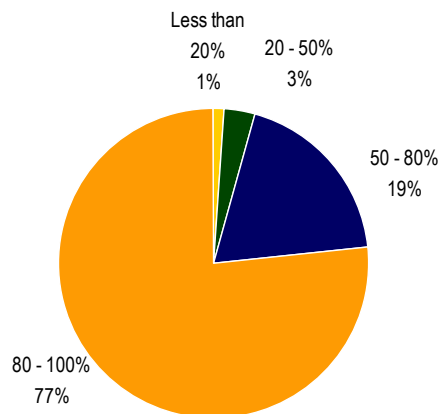
Cash Application - Treasury
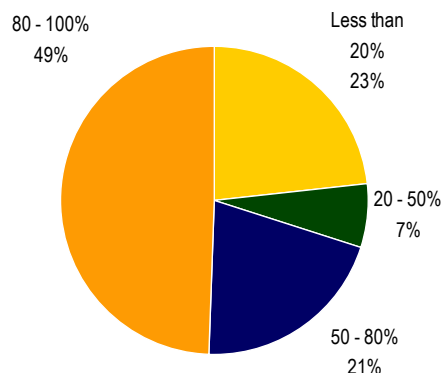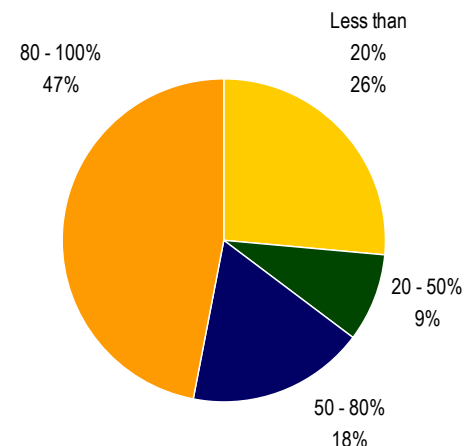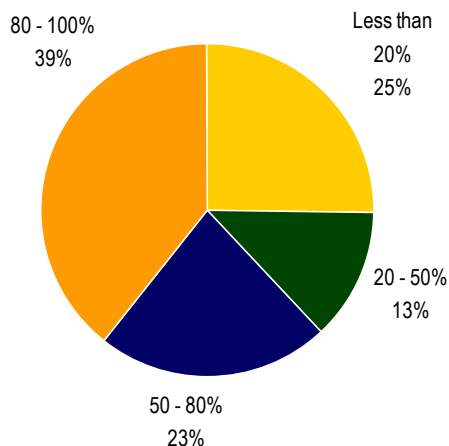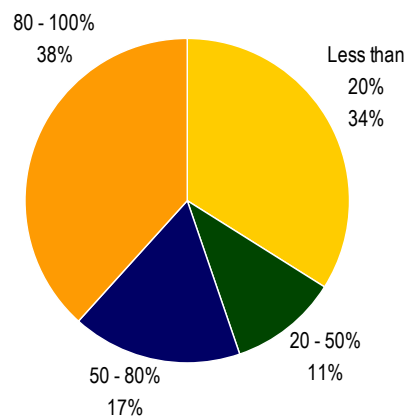
- Less than 20% 23%
- 20 - 50% 7%
- 50 - 80% 21%
- 80 - 100% 49%

Cash Management

- Less than 20% 26%
- 20 - 50% 9%
- 50 - 80% 18%
- 80 - 100% 47%

Collections

- Less than 20% 25%
- 20 - 50% 13%
- 50 - 80% 23%
- 80 - 100% 39%

Credit

- Less than 20% 34%
- 20 - 50% 11%
- 50 - 80% 17%
- 80 - 100% 38%

Customer Billing

- Less than 20% 42%
- 20 - 50% 17%
- 50 - 80% 9%
- 80 - 100% 32%

2007 Finance Shared Services Study

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World-Class Defined and Enabled
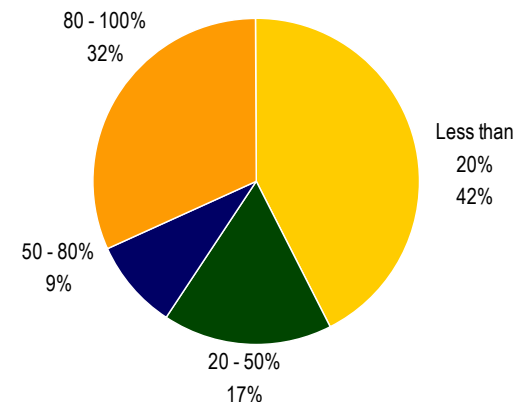
Finance Shared Services – percent of process handled

Dispute Management
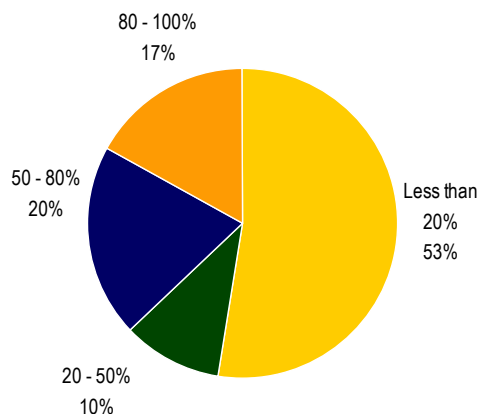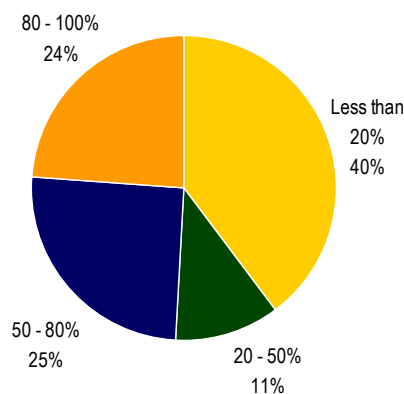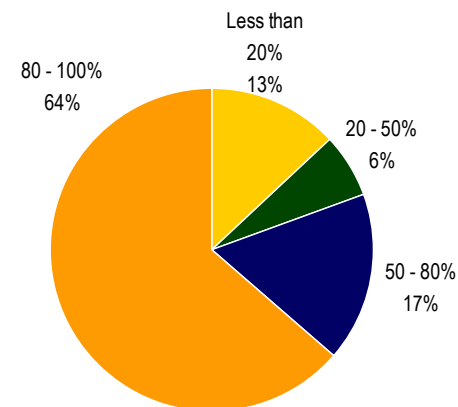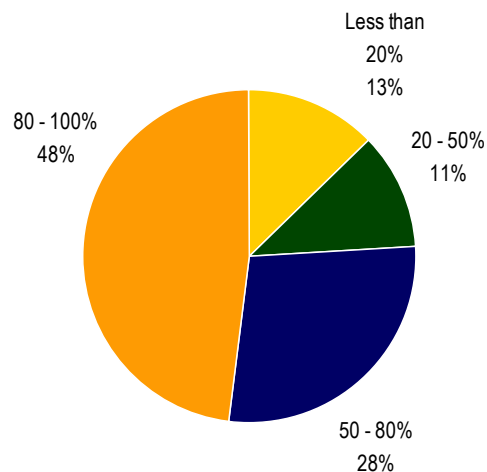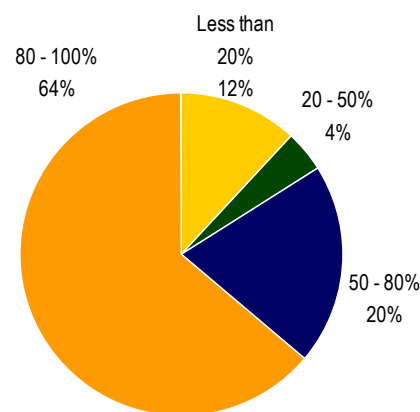
- 80 - 100% 17%
- Less than 20% 53%
- 50 - 80% 20%
- 20 - 50% 10%

External Reporting

- 80 - 100% 24%
- Less than 20% 40%
- 50 - 80% 25%
- 20 - 50% 11%

Fixed Assets

- 80 - 100% 64%
- Less than 20% 13%
- 20 - 50% 6%
- 50 - 80% 17%

General Accounting

- Less than 20% 13%
- 80 - 100% 48%
- 20 - 50% 11%
- 50 - 80% 28%

Inter-company

- 80 - 100% 64%
- Less than 20% 12%
- 20 - 50% 4%
- 50 - 80% 20%

Inventory Accounting

- 80 - 100% 27%
- Less than 20% 44%
- 50 - 80% 16%
- 20 - 50% 13%

2007 Finance Shared Services Study

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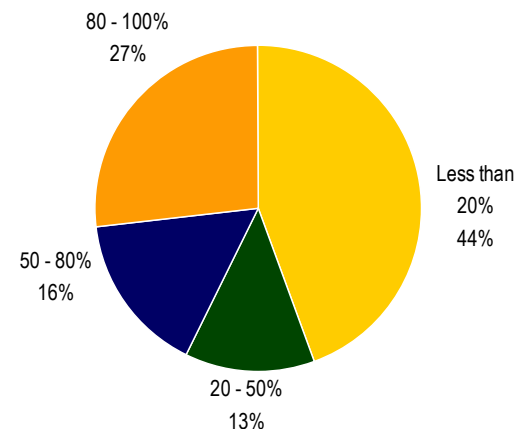
Finance Shared Services – percent of process handled

Order Entry

- 80 - 100% 14%
- 50 - 80% 9%
- 20 - 50% 2%
- Less than 20% 75%

Payroll

- 80 - 100% 41%
- Less than 20% 41%
- 50 - 80% 9%
- 20 - 50% 9%
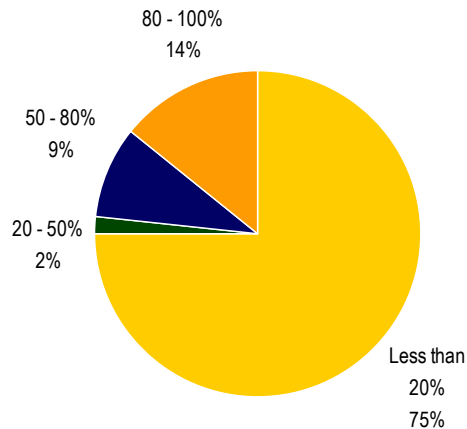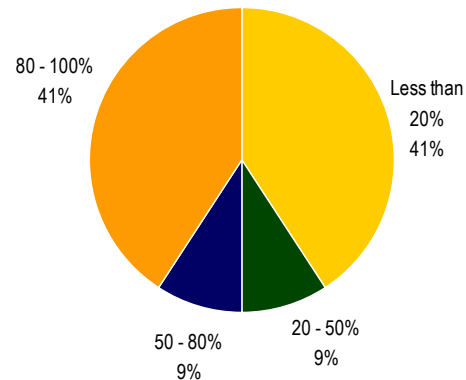
Tax Filing and Reporting
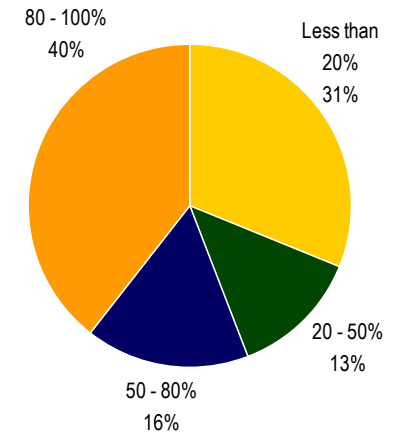
- 80 - 100% 40%
- Less than 20% 31%
- 50 - 80% 16%
- 20 - 50% 13%

Time and Attendance

- 80 - 100% 10%
- 50 - 80% 10%
- 20 - 50% 6%
- Less than 20% 74%

Travel & Expense

- 80 - 100% 66%
- Less than 20% 16%
- 20 - 50% 8%
- 50 - 80% 10%

2007 Finance Shared Services Study

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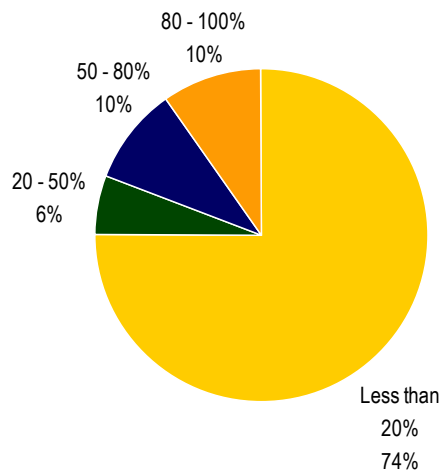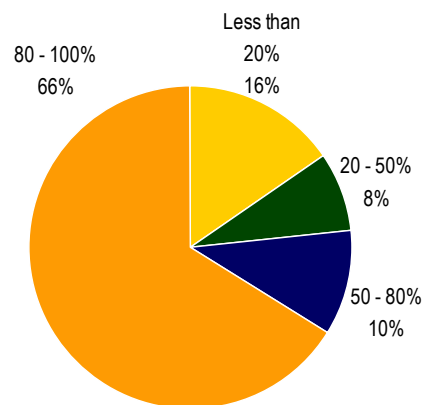
Finance Shared Services – Moving Up The Value Chain
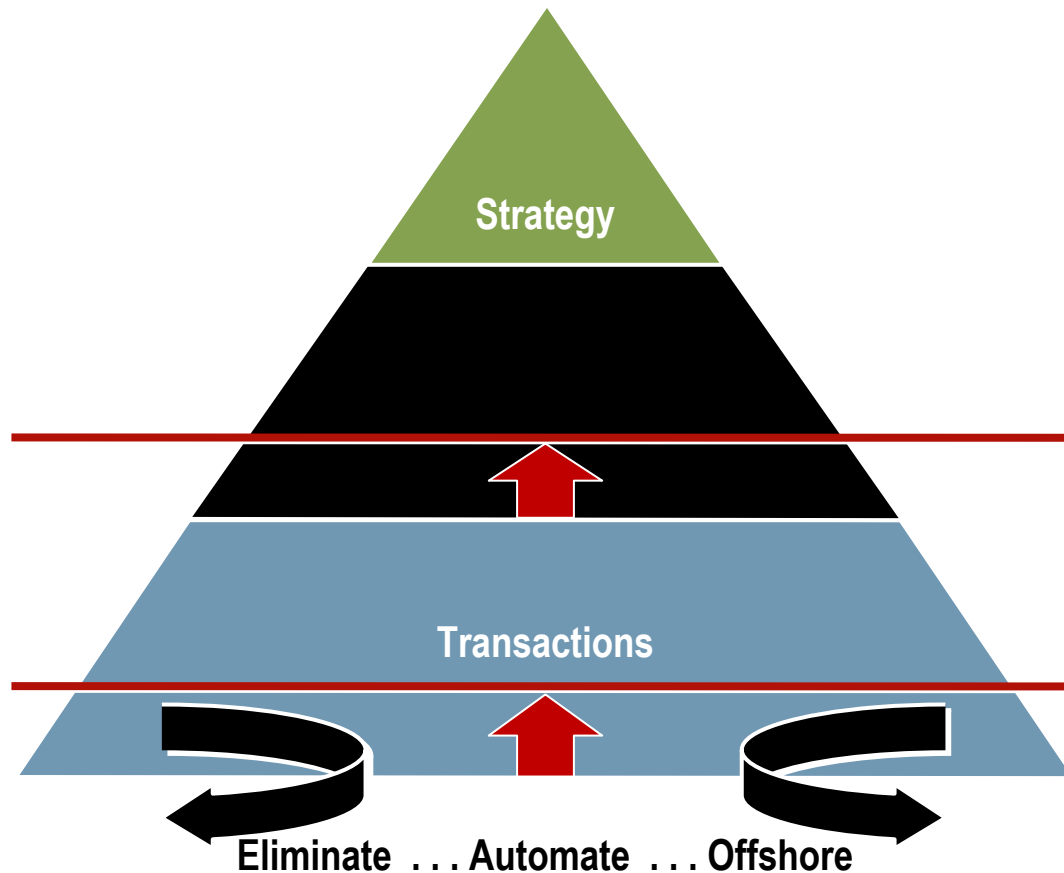
Shared Service Organizations are eliminating work as they deliver benefits, and are taking on additional responsibility for decision support activities

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With decision support processes being added to the mix, a new chapter is being written in the history of shared services

- Historically, the shared services story has essentially been the consolidation of transactional processes

- That story is changing; increasing numbers of companies are moving higher-value finance processes, such as performance reporting and business analysis, into shared services organizations

- Moving activities performed in shared services further up the value chain is a core element of the emerging finance delivery model

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Beyond transactional support, the scope of finance shared services is expanding – to business analysis/planning
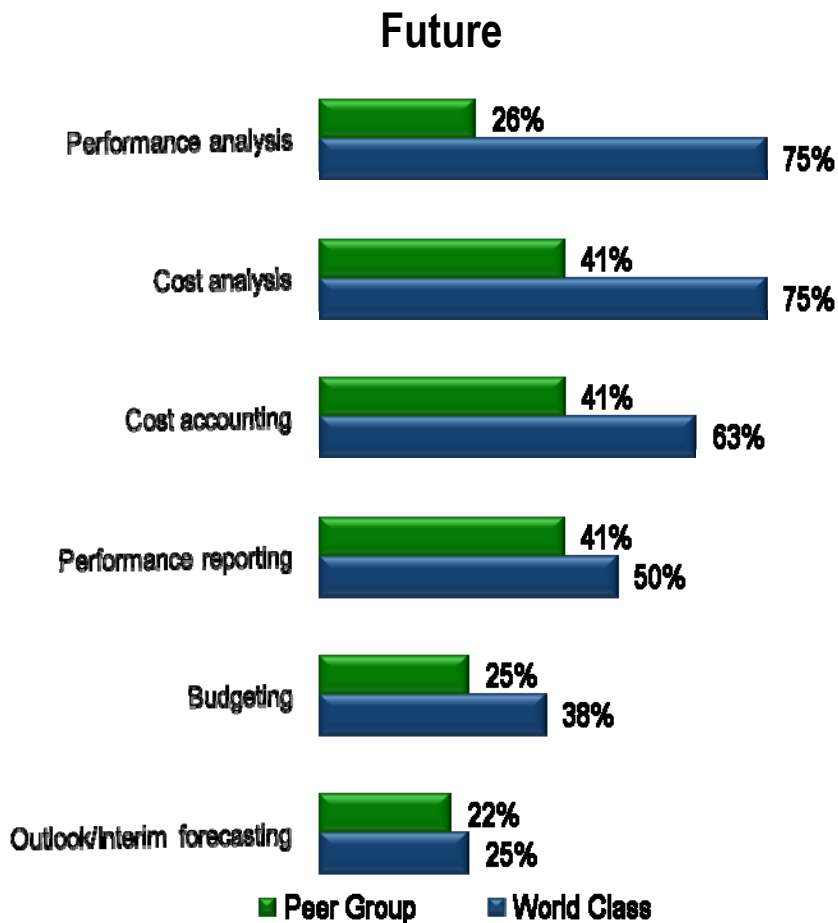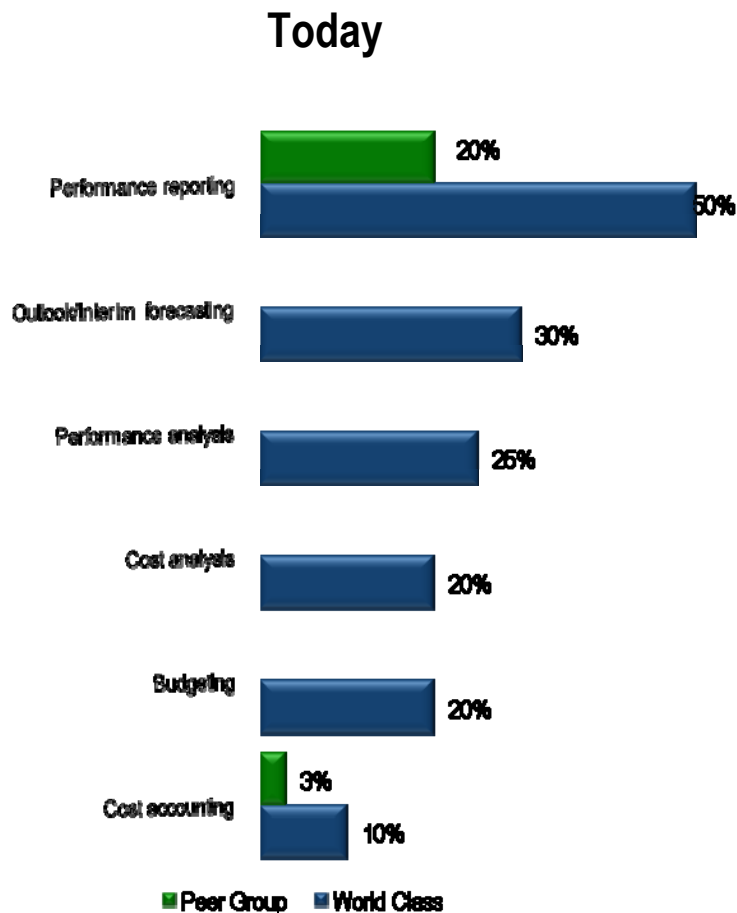
2007 Finance Shared Services Study

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Accounts Payable process cost as a percent of revenue
Process cost = labor and outsourcing costs

Accounts Payable – Process Cost

0.394%

0.035%

0.055%

0.022%

0.048%

0.055%

Accounts Payable

- 1st Quartile
- Median
- 100% Shared Services
- > 75%
- 0 - 25%
- None

Process cost with various levels of shared services

2007 Finance Hackett Functional Benchmark

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Travel Expense Reporting process cost as a percent of revenue
Process cost = labor and outsourcing costs

Travel Expense Reporting – Process Cost

0.180%

0.004%   0.009%   0.001%   0.003%   0.010%

Accounts Payable

■ 1st Quartile   ■ Median   ■ 100% Shared Services   ■ > 75%   ■ 0 - 25%   ■ None

Process cost with various levels of shared services

2007 Finance Hackett Functional Benchmark

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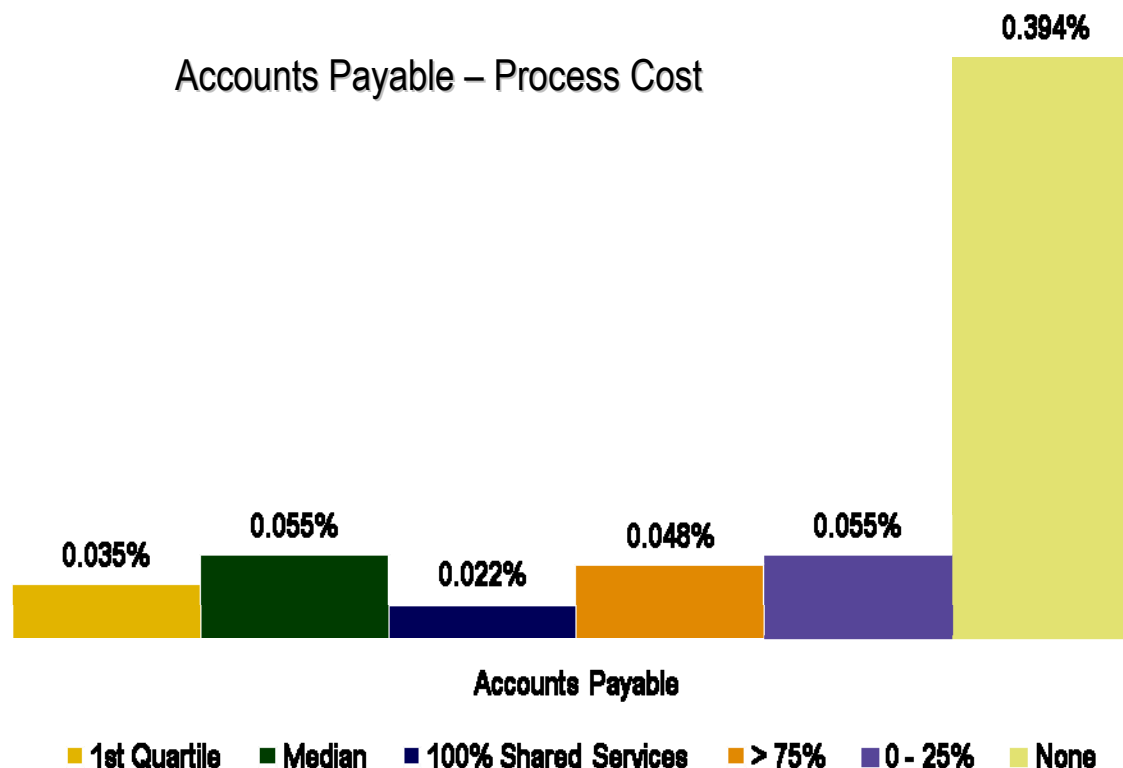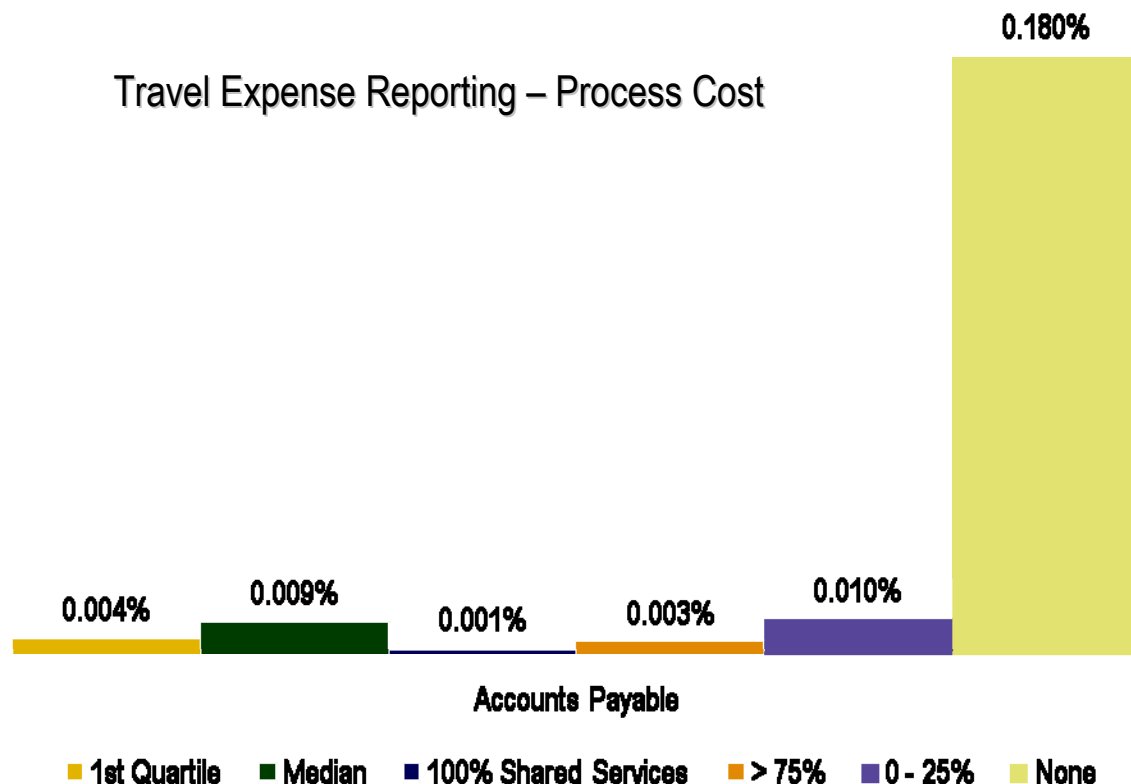
Section Two

- *What is shared services and why are so many organizations implementing?*

- *...k like?*

- *Shared service maturity and key trends*

- *Approach to developing shared services strategy*

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World-Class Finance Shared Services

Strategic Alignment/ Partnering

Customers   Employees   Business Units   Suppliers

People/Organization

Shared Services Operations

Process / Function

| Customer to Cash | Hire to Retire | Account to Report | Procure To Pay |

End-to-End

Technology

Technology Leverage

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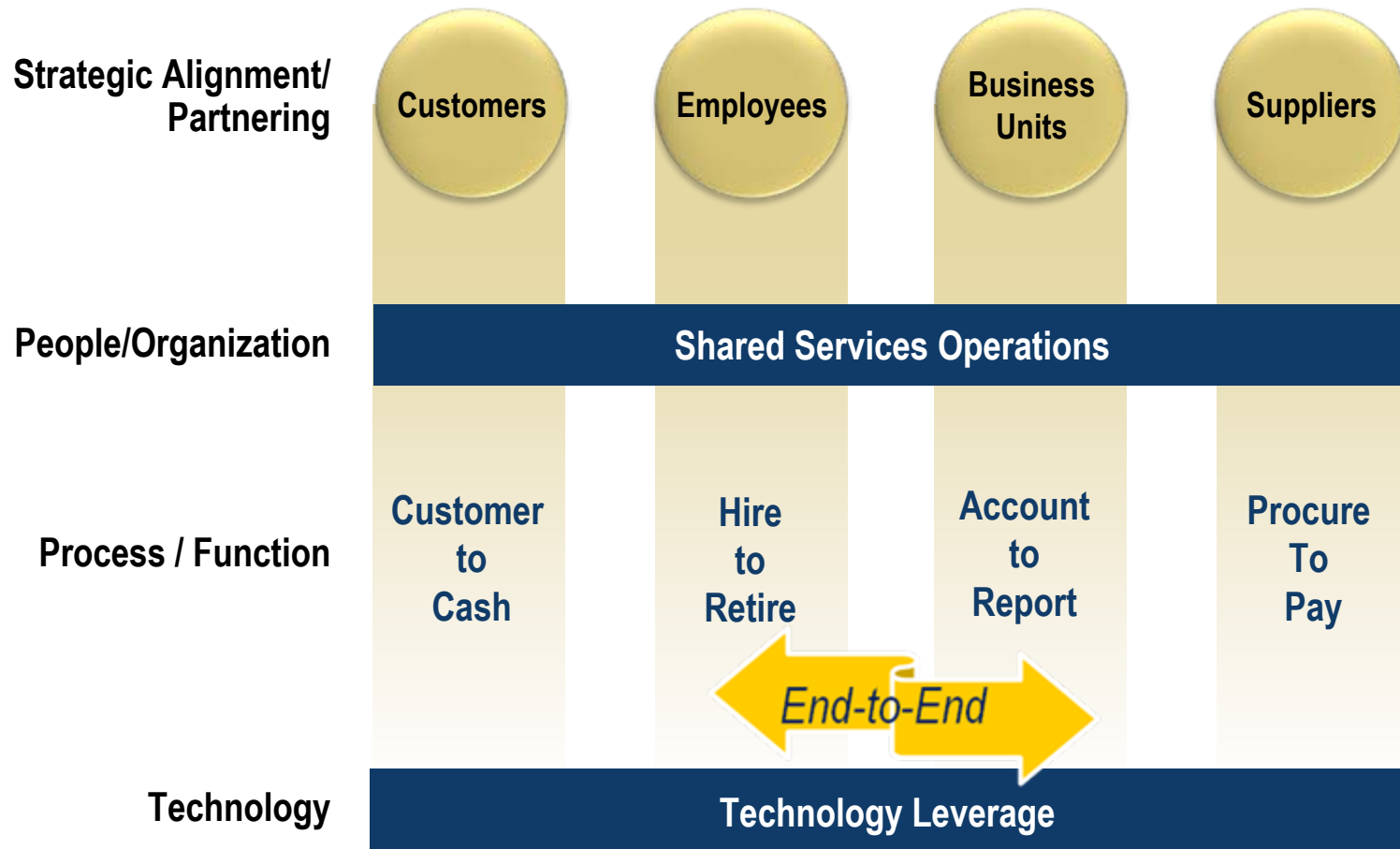
Characteristics shown to be prevalent in successful Shared Services implementation and benefit optimization

- Well-defined organization and governance structure

- Customer focused mindset imbedded in the organization

- Clear and agreed upon service level agreements in place

- Multi-dimensional performance measurement and tracking (eg, "Balanced Scorecard")

- Pricing for services is employed to focus the Shared Services and its customers on the cost/service level trade-off

- Integrated Change Management Strategy

- Policies / processes effectively impact staffing, development and retention

- Highly effective and efficient cross-functional processes with enabling technologies

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Finance Shared Services – Operating Principles

People and Process	Strategy, Partnering, and Technology
▪ Competency development with growth opportunities and skill development	▪ Comprehensive enterprise-wide strategy and plan with expected business demands, geographies, and process scope
▪ Streamlined organization with increased spans of control	▪ Formal governance supports strategic initiatives including roles, responsibilities and issue resolution process
▪ Managed as an 'independent business'	▪ Metrics program to inspire staff and report as well as market value to key stakeholders
▪ End-to-end workflows designed for efficiency and high team integration	▪ Common database architecture
▪ Continuous improvement culture	▪ Leveraged technology; enhanced self-service, automated parallel processes, embedded controls and exception reporting
▪ Embraced change and process management	
▪ Service Level Agreements and internal billing to drive desired behaviors	
▪ Mandated or phased in within three years	

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Critical success factors for setting up a shared services

Top management support
- 92% (World-Class)
- 100% (Peer Group)

Recruiting appropriate employees for the SSC
- 92% (World-Class)
- 66% (Peer Group)

Embedding a culture of "Continuous Improvement"
- 83% (World-Class)
- 67% (Peer Group)

Governance of SSO / SSO-Customer relationship
- 75% (World-Class)
- 53% (Peer Group)

Communicating the project goals to employees early and often
- 58% (World-Class)
- 53% (Peer Group)

Emphasizing a mentality of "Change Management"
- 50% (World-Class)
- 59% (Peer Group)

Quick wins in order to build momentum
- 50% (World-Class)
- 41% (Peer Group)

■ Peer Group ■ World-Class

2007 Finance Shared Services Performance Study

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Establish a well-defined governance model and Service Level Agreement

- A well-defined governance model *provides direction and focus* to ensure that the Shared Service Center continually strives towards world-class performance

- The governance model will include the *"voice of the customer"* to ensure that the services delivered are those required and to provide their support to the improvement process

- The governance model helps to *resolve conflict* by providing a defined structure and process for issue resolution

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A Best Practice Governance Model should consist of the following components:

Governance Council

(Executive sponsorship / GSSO Leadership)

Customer Council

(BU Finance Leaders / Global Process Owners / GSSO Leadership)

Process Council

(Global Shared Service Leader / Global Process Owners)

SSC Leadership

(Global Shared Service Leaders / Process Owners / Subject Matter Experts)

Major responsibilities include:

– Governance Board: Executive level decision making group that sets performance targets & annual operating plans; approves capital expenditures; agrees to scope changes

– Customer Council: Supports the process of identifying "end-to-end process" improvement opportunities, provides advice on prioritization and seconds resources to participate in the solution development and deployment to ensure success

– Process Council: Responsible for building relationships across business units, accountable for customer focused delivery of Global Shared Service process, systems, people and organizational goals of the Global Service Delivery Model

– SSC Leadership: Analyzes issues, determines root causes, recommends process improvements, works with SSC Strategic Leadership to implement change

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World-Class Defined

Service Level Agreements when constructed correctly, help to build satisfaction and a commitment to Service Level Management

Service Level Agreements (SLAs) formalize a Shared Service's commitment to customer service by clearly defining services, responsibilities, and issue escalation processes

- Service level standards and responsibilities are clearly defined and monitored continuously
- Minor service level deviations are addressed at employee level
- Major service level issues are escalated to Shared Services Center management and ultimately to the Shared Services Governance Council

Service Level Agreement

Shared Services Center

Business Unit(s)

- ✓ Description of services
- ✓ Performance metrics
- ✓ Roles and Responsibilities
- ✓ Dispute Resolution
- ✓ Continuous Improvement Commitments

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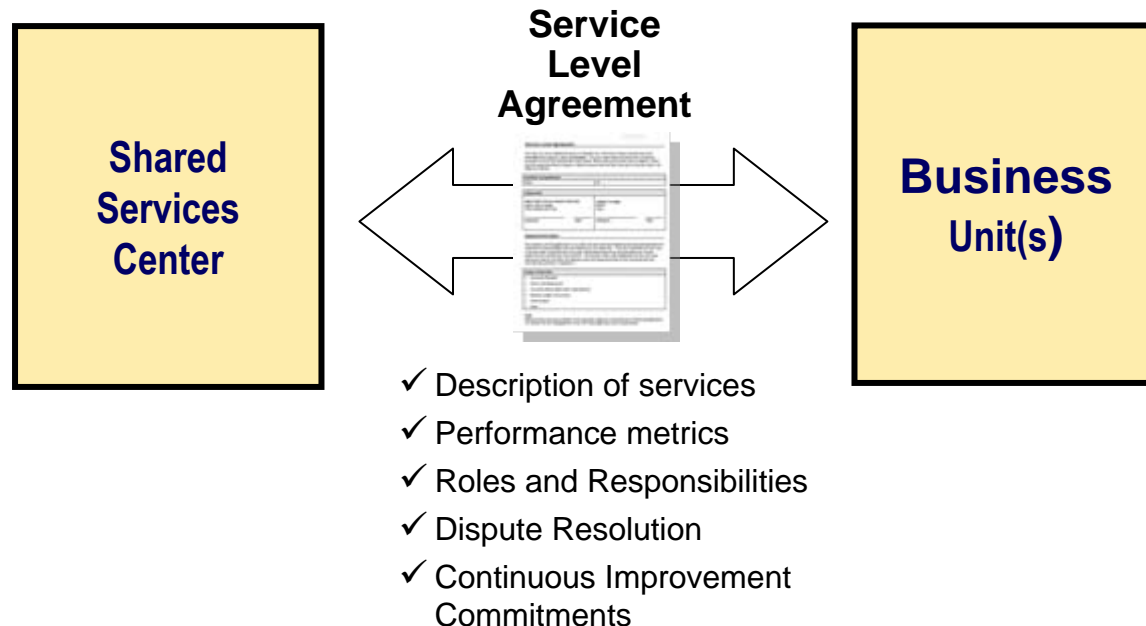
Components of Service Level Agreements

Provider: **Customer:**

Services Provided
- A comprehensive description of the services provided

Customer Service
- An outline of how the provider organization will service the customer, specifically detailing the contacts for services, and hours of availability

Cost Information
- A description of the proposed charges for services provided. This should increase transparency, clearly specify cost drivers and break down charges on a service-by-service basis

External Benchmarks
- A comparison of current performance services levels and cost against external benchmarks

Performance-Level Commitments
- Commitments by the provider based on Key Performance Indicators (KPI)

Page 1 of 2

Customer Commitment
- A comprehensive outline of customer requirements that will enable the provider to meet specified performance level commitments

Process Improvement
- A description of process improvement initiatives to be undertaken by the provider, customer or jointly, for the term of the agreement, and the expected benefits associated with these improvements

Issue Resolution / Escalation Process
- An outline of how issues and disagreements will be resolved between the provider and the customer
- Specify the escalation process within the Shared Service Center and through the governance structure

Terms
- The length of time over which the agreement is enforced

Page 2 of 2

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Organizations utilizing Service Level Agreements (SLAs) have lower costs per transaction

Accounts Payable Cost per invoice (1st Quartile)

$6.03

$1.68

<20% SLA Utilization

>60% SLA Utilization

Travel Expense Cost per record (1st Quartile)

$1.56

$.87

<20% SLA Utilization

>60% SLA Utilization
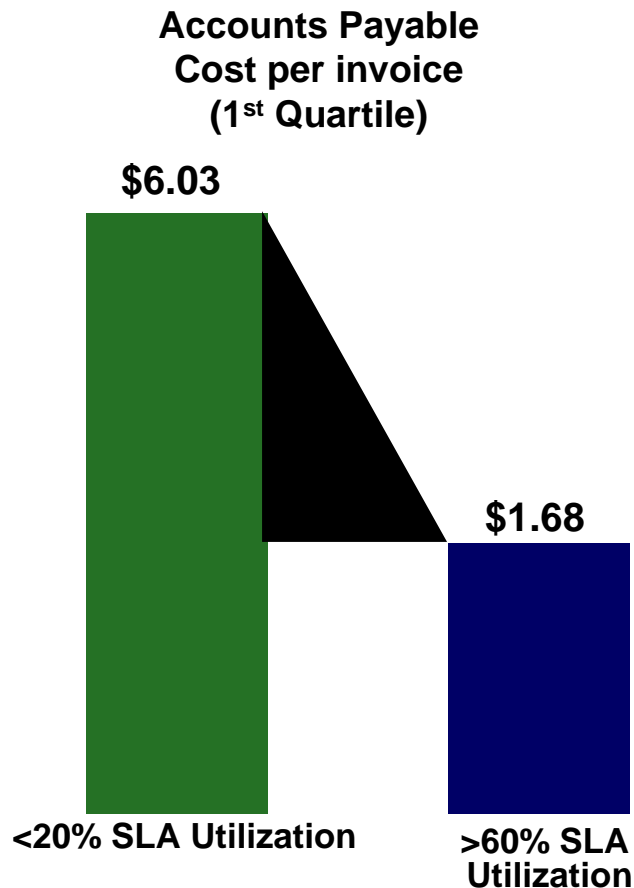
Source Hackett Process Benchmark Research

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Performance Metrics / KPI's manage the shared services

- Well defined, readily measurable Performance Metrics are essential to the optimal operation of the Shared Services environment to
  - Set the performance goals for staff
  - Set the performance expectations for customers via SLAs
  - Provide a measurement standard for comparison to outside benchmarks
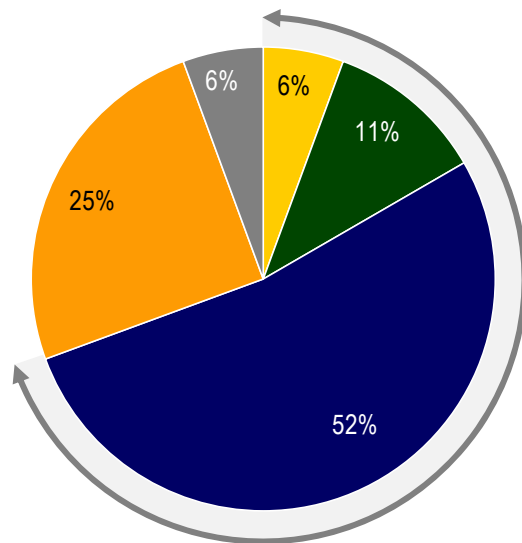 - Enable accurate activity or transaction costing controls
- Benchmarking provides the independent reference point to ensure performance levels are realistic and internal costs remain in line with outside providers
  - Statistical benchmarking provides the empirical data with which to evaluate performance levels
  - Comparative analysis of internal service costs to potential outside vendors provides assurances that customers are receiving pricing in line with the marketplace. If they are not in line, it provides the impetus for investigating outsourcing opportunities.

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Continuous improvement and change dynamics are embedded in the culture…Savings *without* a formal continuous improvement process and culture in place

Planned

Achieved

69% of SSOs plan to save 20% or more costs	46% of SSOs have saved 20% or more costs

Legend: ▮ >60% ▮ 41 to 60% ▮ 21 to 40% ▮ 11 to 20% ▮ 1 to 10% ▮ No Change

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Finance Shared Services – Savings *with* formal continuous improvement process and culture in place

Planned

5% 5%

16%

19%

55%
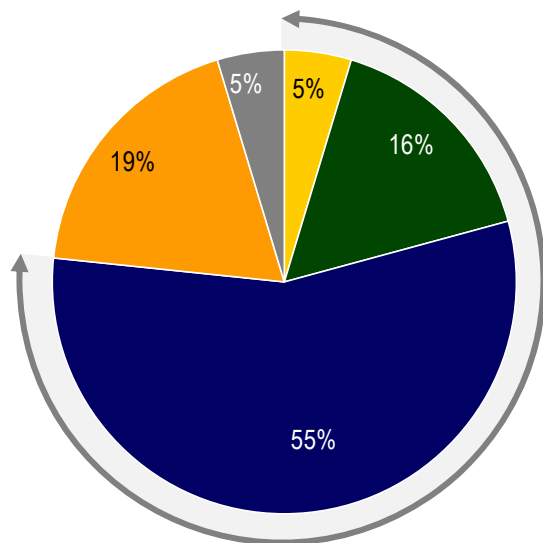
77% of SSOs plan to save 20% or more costs

Achieved

2% 7%

30%

16%

45%
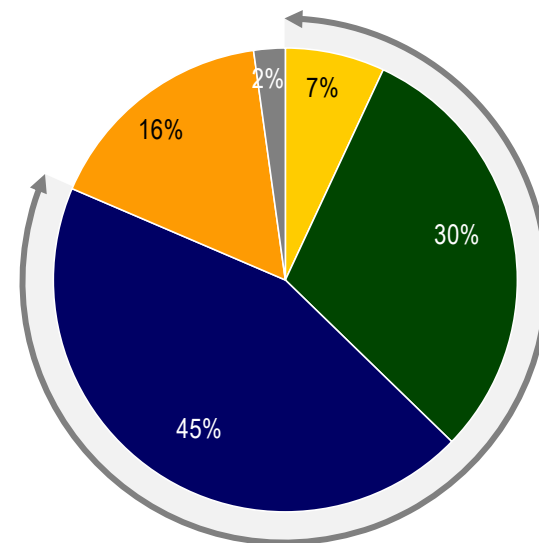
81% of SSOs have saved 20% or more costs

| ■ >60% | ■ 41 to 60% | 21 to 40% | ■ 11 to 20% | ■ 1 to 10% | ■ No Change |

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Organizations with mandated shared services support higher technology standardization and an independent mindset

Adopted common database across applications

40.0%

0.0%

100%

Not Mandated
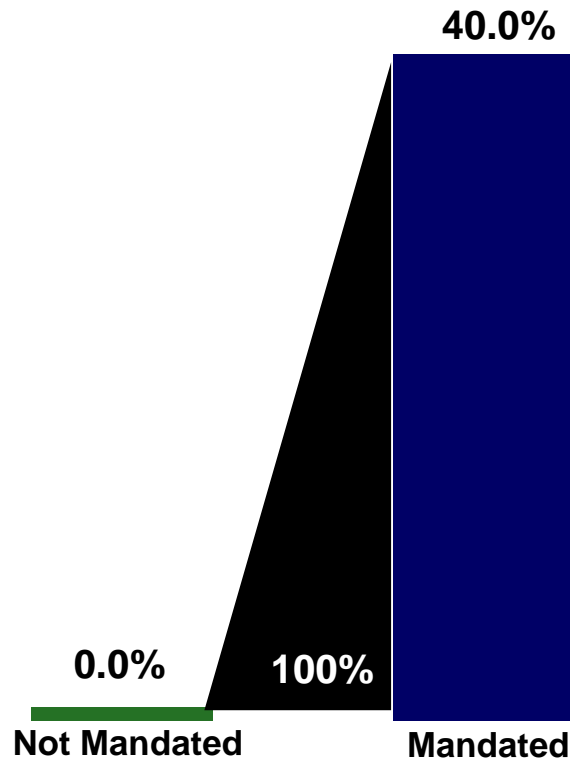
Mandated

Manage center like an independent business
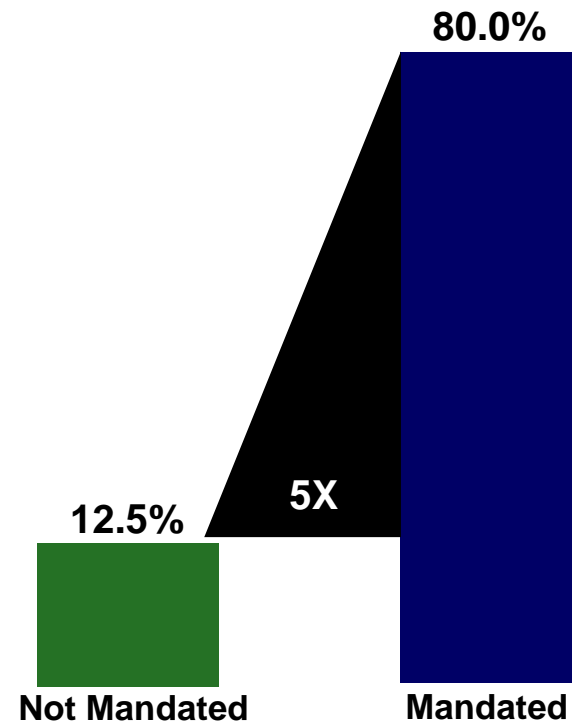
80.0%

12.5%

5X

Not Mandated

Mandated

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Organizations with mandated shared services met planned savings more frequently and support a distinct culture

Shared services publish performance metrics to customers
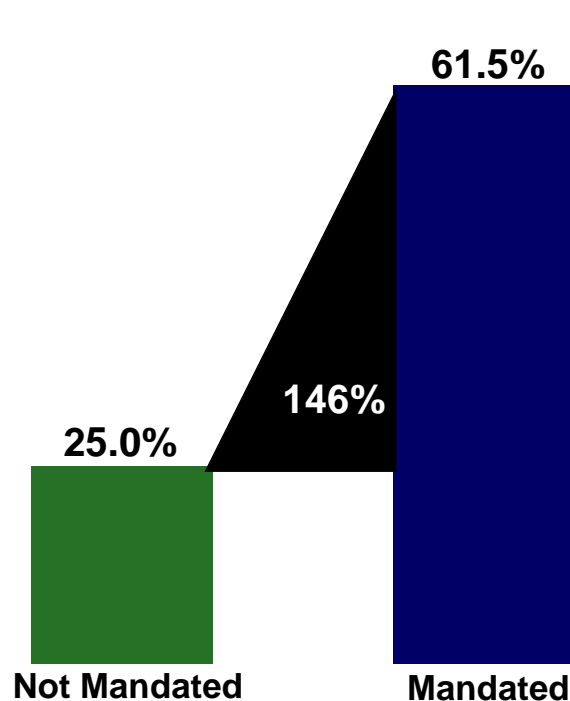
Major changes are agreed upon with customers before implementation

61.5%

146%

25.0%

Not Mandated

Mandated

92.9%

75.0%

25%

Not Mandated

Mandated

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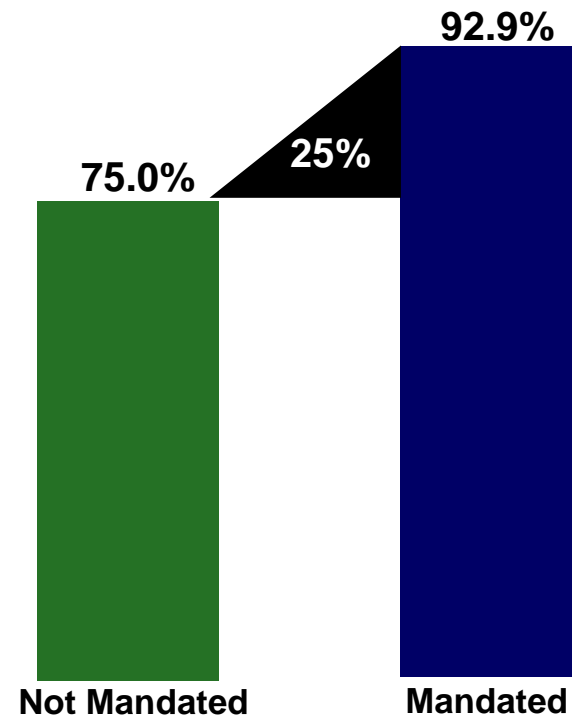
Greatest risks when setting up a shared services

- Lack of business unit support — World-Class: 100%, Peer Group: 70%
- Poor service quality — World-Class: 67%, Peer Group: 59%
- IT problems — World-Class: 58%, Peer Group: 41%
- Failure to transition work effectively — World-Class: 50%, Peer Group: 65%
- Lack of decision-making authority on the service-delivery platform — World-Class: 50%, Peer Group: 30%
- Business activities are interrupted during implementation — World-Class: 25%, Peer Group: 30%
- Lack of employee support — World-Class: 25%, Peer Group: 43%

■ Peer Group ■ World-Class

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Tools with the highest optimization effect

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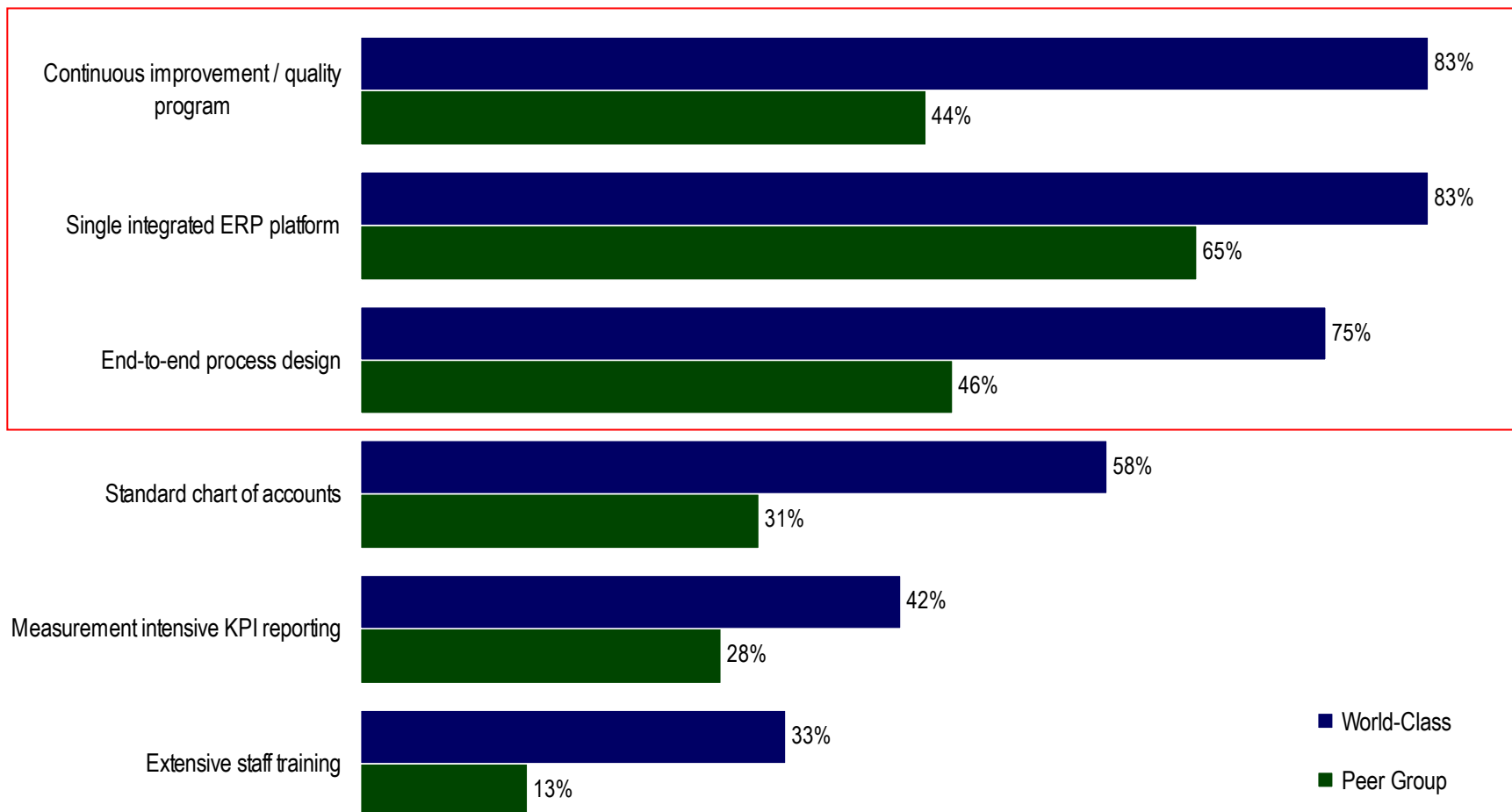
Shared Services enables world-class performance

63% Fewer Errors in Billing
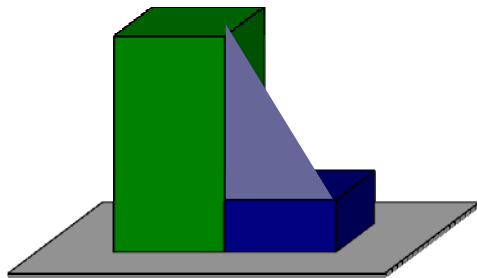
Error Rates

60% Less Transactional Processing Staff
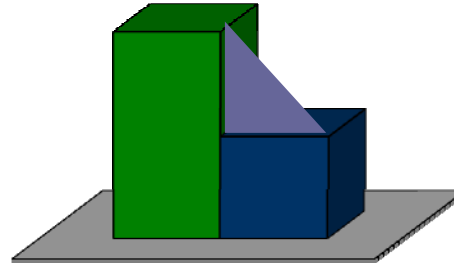
Transaction Processing Staff

38% More Training
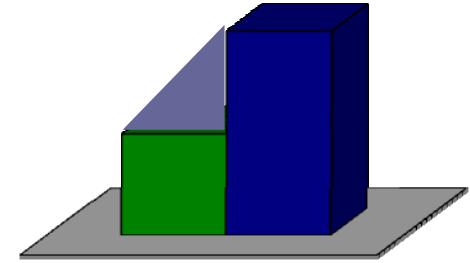
Hours of Training

Finance

5% More Technology Investment
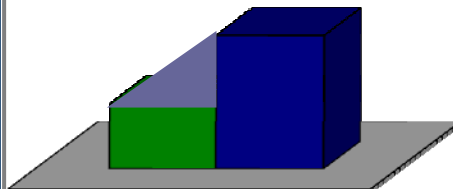
Technology Spend

100% More Mature Balanced Scorecard Programs
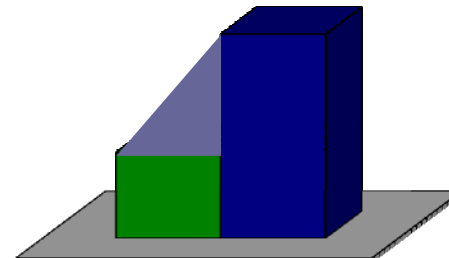
Balanced Scorecard

■ Peer group
■ World-class

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Section Three

- *What is shared services and why are so many organizations implementing?*

- *What does world-class shared services look like?*

-

- *Approach to developing shared services strategy*

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Four stages in the development of Shared Services

1 Consolidation

- Focused on bringing processes and systems under one roof
- Located near Corporate or major customer
- Viewed as part of Corporate
- Centralization rather than true shared services
- Disparate IT systems
- Relationship with Customers characterized by anger and conflict
- Silo based organization
- Cost focused - clerical skills and processing efficiency
- Scope restricted to transactional processes
- Funded by Corporate

2 Standardization

- Focused on standardization of policies, procedures and technology
- Outsourcing of non-core activities
- Informal Governance Board
- Multiple systems in use by customers
- Customer relationship managers identified
- Contact embedded in functions, some use of Contact Centers in selected functions
- Team based organization around process, sub-functions, or applications
- Functional experts
- Some performance reporting
- Service offerings defined; charge backs established

3 Optimization

- Integration of optimized processes, technology and organization
- High degree of process improvement
- Continuous improvement embedded
- Move to optimal location(s)
- Selective outsourcing
- Standardized enterprise system
- Use of imaging; workflow & other enabling IT tools
- Customer focused; self-directed teams
- Contact Center
- Balanced Scorecards
- Detailed SLA
- Variable pricing
- Formal Governance Board
- End to end process design

4 Virtualization

- Leverage advanced technologies
- Physical location(s) less important
- Contact Centers established to support stakeholder inquiries
- Continuous re-invention
- Expansion of services / scope including expertise services
- Open for competition with external providers; outsource where not best-in-class; external profit center approach
- Balanced scorecards integrated with customer strategy
- Menu pricing
- SLA / strong customer focus
- Governance Board stresses expansion of SSC model
- Growth oriented business model to leverage scale
- Marketing & Business Development team
- R&D: new service offering development
- Optimal organizational structure

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Many have achieved initial success - what's next ?

- Expanding scope of services
- Expanding geographies and sourcing solutions
  - Outsourcing / Offshoring
  - Global hubs / Regional centers
  - Competency centers

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Next Quantum Leap?

Quantum Leap Forward

Consolidate

Standardize

Process Management & Technology Leverage

Offshoring Outsourcing

Virtualization 'location neutral'

|-----Optimization -----|

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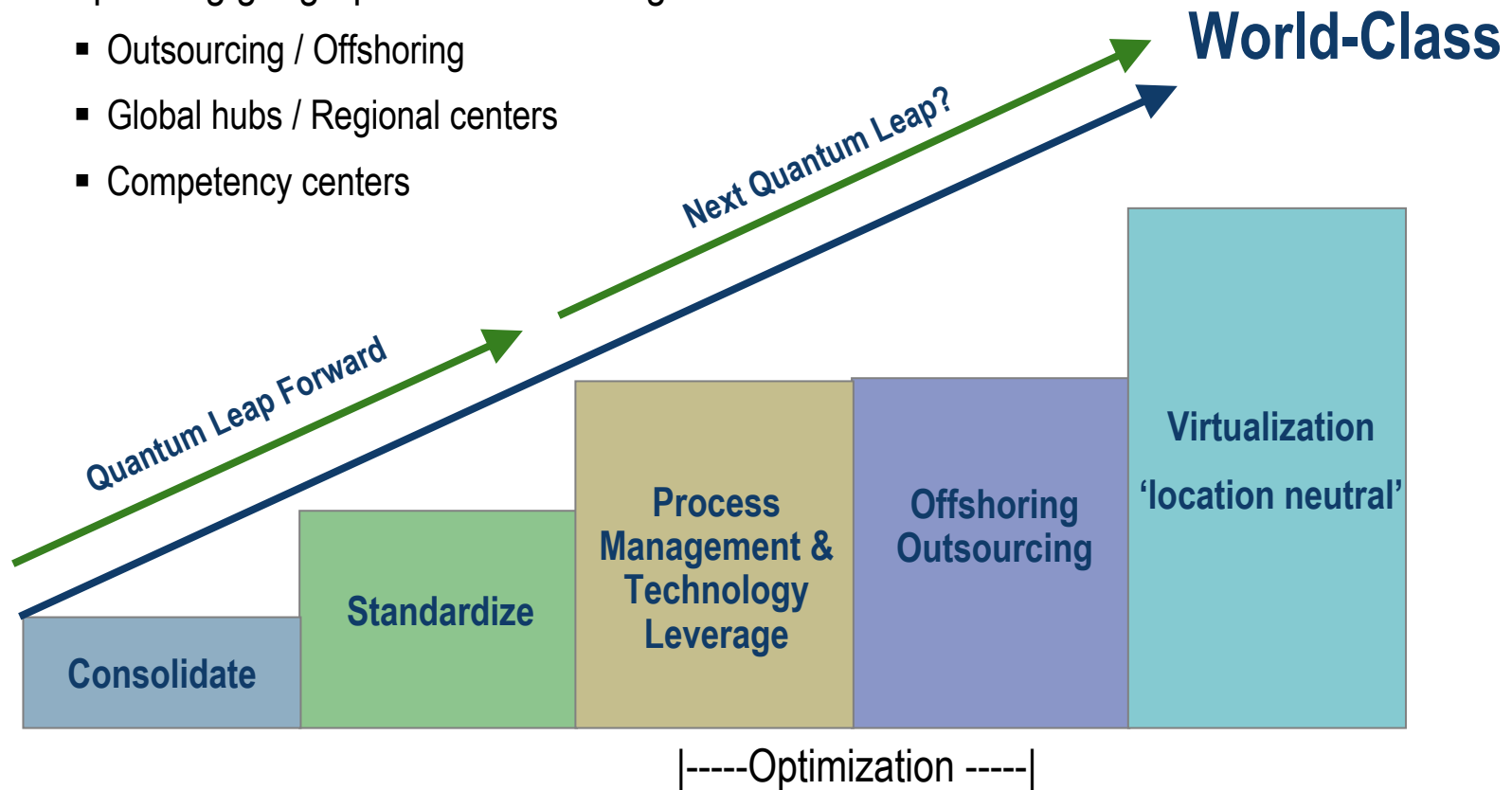
Finance Shared Services – Future Plans

	World-Class	Peer Group
Continuous improvement / quality program	83%	44%
Planning to extend scope of services / countries serviced by existing SSO	75%	48%
Planning new / additional shared service locations	42%	27%
e-Invoicing	39%	42%
ERP	37%	33%
Self-service capabilities	31%	17%
Data warehouse	31%	42%
Data analysis & reporting tools	24%	33%
Automatic matching & payment allocation tools	23%	25%
e-Procurement	22%	25%

2007 Finance Shared Services Performance Study

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Finance Shared Services Trends & Predictions

People

- Shared service leaders continue to be elevated in the organization
  - Global process ownership commonplace;
  - Influence over strategic decisions
  - Information architects
- Clerical staff largely disappear, at least for World-class companies
  - Self-service Application integration
- Staff skills continue to move to analytical and customer relations

Risk and Compliance

- Sarbanes-Oxley will have little impact on World-class
  - CFO's will leverage shared services for better control points
  - Most policies and procedures will be shared services based
- Risk management will help drive adoption of shared services for remaining global companies

Scope Expansion

- Shared service organizations will take on more responsibility for standard statutory and regulatory reporting
- End-to-end process design much more accepted
  - Procure-to-Pay
  - Customer-to-Cash
  - Account-to-Report
  - Hire-to-Retire

Sourcing Strategies

- Movement from regional to global shared service models will accelerate dramatically
  - Pressure to move to lower labor markets will continue, however, a keen focus on process management will take priority
  - Enabled by global ERP platforms
- Limited commercialization of internal shared services
  - Major players already in the market
  - Control and compliance remain key issues

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Finance – Overall – Business process sourcing

Percent by Type

Chart data:

Type	Today	In 3 Years
Decentralized	27	
Centralized Shared Services Onshore	54	47
Centralized Shared Services Offshore	5	14
Outsourced	8	11
Automated	5	18

Legend: ■ Today ■ In 3 Years
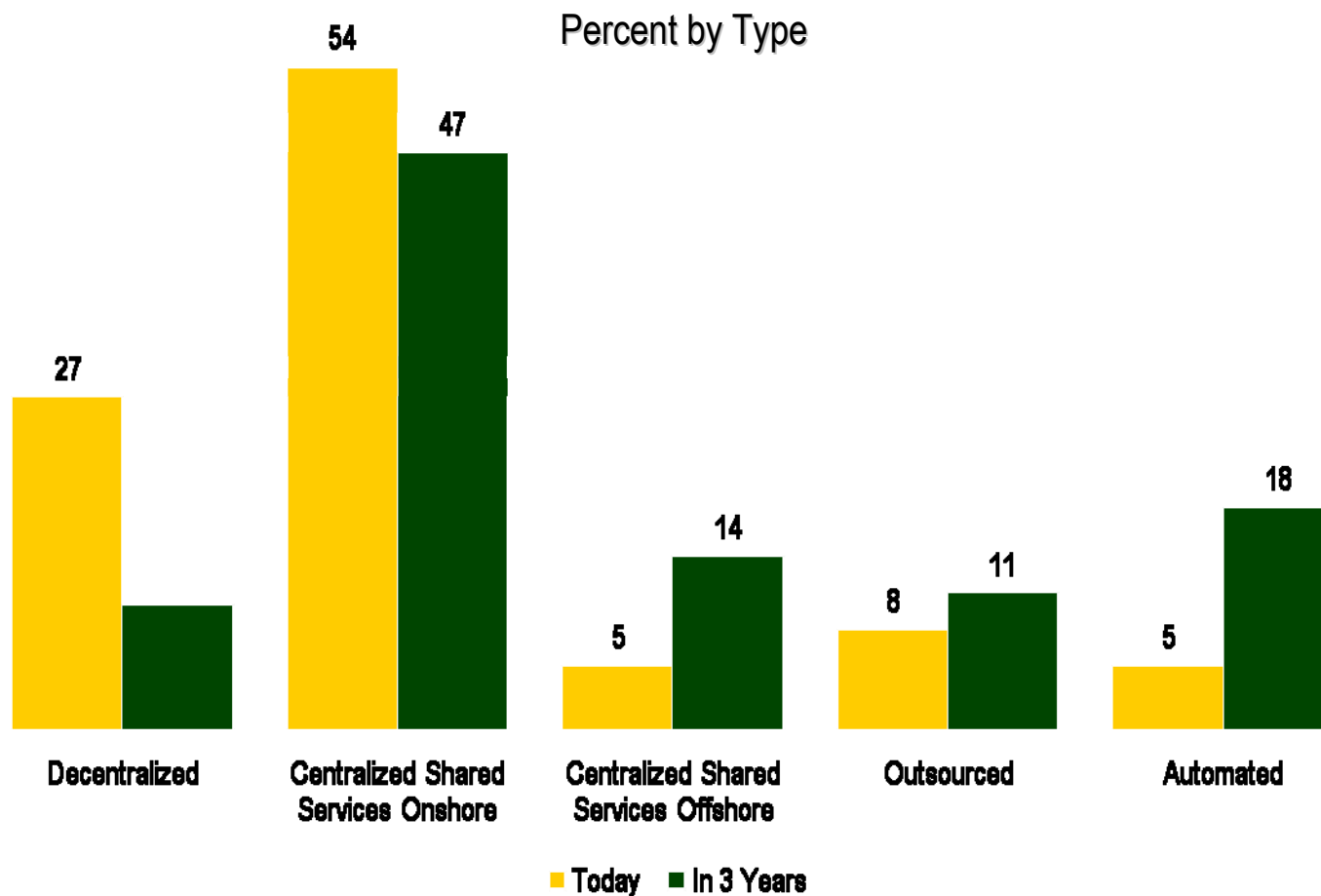
2007 Finance Business Process Sourcing Study

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www.thehackettgroup.com > Research > Performance Studies

Business Process Sourcing:
www.thehackettgroup.com/research/sourcing

Efficiency and Effectiveness of Your Shared Services:
www.thehackettgroup.com/research/e2e

End-to-end Process Design:
www.thehackettgroup.com/research/end2end

Quality and Continuous Improvement:
www.thehackettgroup.com/research/quality

Talent: www.thehackettgroup.com/research/talent
Call Centers: www.thehackettgroup.com/research/callcenter

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Section Five

- *What is shared services and why are so many organizations implementing?*

- *What does world-class shared services look like?*

- *Shared service maturity and key trends*
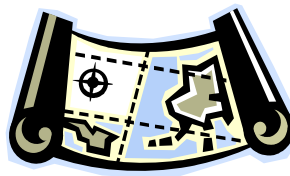
- *Impact of globalization*

- *es strategy*

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Shared services decisions

"Functional Analysis"
How am I performing compared to peers? Develop the business case well enough to achieve executive and business unit support What should be included in shared services?

"Location Assessment"
What location best meets my organization today and into the future?

"Insource or Outsource"
Should I implement a shared services strategy with my internal team or partner with an outside organization?

"Steps to Success"
How big is the Opportunity from Shared Services?

"Process Transformation"
How do I design my processes to take advantage of best practices? How to measure success? KPIs, Scorecards

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Shared Services Action Steps / Key Decision to Make

- Identify what's in/what's out

- Collect information on population of employees performing activities

- Assess state of current processes and technology (level of standardization, quality of outputs, scalability)

- Develop strawman of Shared Services Operating Model (scope of services, organizational structure, governance model, customer relationship model)

- Understand IT implications of shared services (impact of ERP – do we wait or not, need for additional functionality or bolt-on applications to facilitate remote processing)

- Understand legal and regulatory implications (primarily for Europe and Asia Pacific – what can and cannot be done efficiently and effectively across borders?)

- Define knowledge transfer strategy/tools/duration (e.g., on site work shadowing, post go-live support requirements)

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Shared Services Action Steps / Key Decision to Make Continued

- Define migration strategy and plan (by process/business unit/region or country, as-is process & technology or wait for ERP timing)

- Build business case capturing all benefits (e.g., headcount reductions, labor arbitrage, ongoing process improvement) and costs (e.g., project team costs—internal and external resources, people costs such as recruitment, severance, staff overlap, technology costs, facilities costs) properly sequenced over time to calculate NPV, payback, etc.,

- Develop Critical Success Factors – what is going to make a successful implementation ?

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SSC Organizational Principles: Three Major Components

- **Business Unit (Customer) Requirements**
  - A process-focused organization structure that supports quality processes and outputs and positions the organization for continuous improvement
  - Specific alignment to customer requirements (e.g., Service Level Agreements, Service Pricing)

- **Organization Structure Development**
  - A streamlined organization with reduced layers and increased span of control to meet cost reduction goals
  - Workflows designed for efficiency and high team integration

- **Competency Development**
  - People-enabling programs that support high performance through competency building, training and rewards
  - Increased growth opportunities and skill development

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